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United States
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South Carolina Client Integrity Program Evaluation Report: Detailed Analysis

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**South Carolina Client
Integrity Program
Evaluation Report:
Detailed Analysis**

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TABLE OF CONTENTS

No.	Questions	Page
	Executive Summary	ES-1
	<i>Exhibit ES-1: CIP Outline</i>	ES-1
	Volume II Introduction	1
	<i>Exhibit: South Carolina CIP Statistics</i>	2
1.	How do the practices and operational procedures used by South Carolina for monitoring recipients differ from those used prior to EBT implementation?	6
	<i>Exhibit 1: Roles and Responsibilities</i>	7
	Supplemental Data:	
	Process Diagram to “Identify Suspected Recipients & Generate Referrals”	13
	Process Diagram to “Investigate Suspected Recipients”	14
	Process Diagram to “Disqualify Guilty Recipients”	16
	Map of South Carolina divided by Investigative Regions	19
	Initial letter sent to recipient during investigation	20
	Second notice sent to recipient with ACA	21
	EBT Client Integrity Project Administrative Agreement	22
	Advance Notice of an Administrative Hearing	23
	Statement used in the investigation phase of the CIP	24
	Waiver of Hearing and Consent to Disqualification	25
2.	Are there situations that develop in which EBT implementation results in information that assists the state in the recipient integrity monitoring process?.....	26
3.	How did South Carolina address the issue of participant access, especially under “lock-in/lock-out” circumstances?.....	27
4a.	How did the State handle complaints and appeals from disqualified recipients?	28
4b.	How did these procedures compare to those for approved recipients, non-recipients (i.e., general public) and state agencies’ staff?	28
4c.	What was the nature of these complaints?.....	28
5.	What are the measurable outcomes of completed investigation, i.e., outcomes, sanctions, claims, expected deterrent value, case backlogs, etc.?	30
	<i>Exhibit 1: Closed Cases</i>	30
6.	How well have the various State jurisdictions/local offices done in identifying participant and retailer trafficking?	31
	<i>Exhibit 1: Recipient Referrals</i>	31
7a.	Once suspect recipients are identified, how well do local offices follow through on project process and objectives?.....	33
	<i>Exhibit 1: Process by Region</i>	33
	<i>Exhibit 2: Results by Region</i>	34
	<i>Exhibit 3: Adjudication Results</i>	34
7b.	How do these results compare to levels of suspected retailer fraud by geographic region?	36
	<i>Exhibit 1: Retailer Disqualifications during the CIP Demonstration</i>	36
	<i>Exhibit 2: Retailer and Recipient Disqualifications</i>	37
8.	What is the level of effort involved to detecting, investigating and prosecuting a recipient?.....	38
	<i>Exhibit 1: Difficulty Experienced by Investigators</i>	39
	<i>Exhibit 2: Rank-ordered Difficulty by Integrity Stage</i>	39
	<i>Exhibit 3: Percentage of Time per Integrity Stage</i>	40

No.	Questions	Page
	<i>Exhibit 4: Ranking of Time Spent in Each Integrity Stage</i>	40
9.	What is the time span between a fraudulent transaction and subsequent detection? Detection and Investigation? Investigation and Disqualification?	42
10.	Where is the most and least value in each stage of the CIP process?.....	43
11a.	What savings to the FSP result when abusive participants are removed?.....	45
	<i>Exhibit 1: Recipients Disqualified Resulting in Savings by Year</i>	45
11b.	How do these savings compare with the costs incurred as the level of effort expended?..	46
	<i>Exhibit 1: Resulting Savings and Costs by Year</i>	46
12.	How do implementation/operational cost compare under the traditional (pre-EBT) recipient monitoring approach vs. the State initiative?	47
13.	How did South Carolina distinguish project costs from regular program management costs?	48
14.	Based on this demonstration, what are the advantages/disadvantages of the South Carolina system of EBT recipient integrity monitoring compared to the coupon system?	49
15.	Does EBT make recipient integrity monitoring by states easier and/or more effective?... ..	50
16.	How do the post-implementation food stamp recipient data elements (the number of recipients, benefit level, type of offense, monitoring activity) compare to pre- implementation data?	51
	<i>Exhibit 1: Comparison of Pre- and Post- EBT Integrity Data</i>	51
17.	Are some investigative approaches resulting in significantly more positive investigations?.....	52
18.	What type of training program was provided for new recipients?	54
19a.	Did training methods vary from on office/county to another?	56
19b.	Did recipient behavior vary with training?	57
20.	What type of retailer referral and follow-up program did South Carolina utilize and did it vary between State field offices?	58
21.	If so, how did it vary?	58
22.	What, if any procedures did South Carolina use to investigate the past record of applicants prior to certification (i.e., participation record, work history, disqualification record, criminal record, etc.)?	59
23.	What other activities are being used to control for potential fraud and abuse on the part of participants, retailers and third parties?.....	61
24.	How do results compare from one geographic region to another?.....	62
25.	What level of coordination/cooperation takes place between the State and field offices? <i>Exhibit 1: CIP Coordinator</i>	63
	<i>Exhibit 2: CIP Investigator</i>	63
	<i>Exhibit 3: Supervisor, Food Stamp Policy Unit</i>	64
	<i>Exhibit 4: CIP Supervisors</i>	64
26.	What level of coordination/cooperation takes place between the State and FNS offices?	65
27.	How can the procedures/requirements be made more effective?	67
28.	What organizational characteristics of the initiative required coordination with other agencies?	69
29.	What procedures were found to be the most effective in successfully suspending/disqualifying participants and retailers?	70
30.	How does the South Carolina initiative's approach, procedures, organization and results compare to client integrity activities in other EBT states?.....	71

No.	Questions	Page
31.	What impact would EBT implementation have on increasing the state's role in recipient integrity monitoring activities?.....	77
32.	What are the implications of using EBT information to identify potential participant abuse through trafficking and other abusive?.....	78
33.	What are the future implications of integrating the results from the evaluation components included in this contract?.....	80
34.	Does the recipient integrity initiative target/identify the same or different retailers identified by FNS and OIG?	82
35.	How does it compare to FNS' fraud detection system?.....	83
36.	How many recipient violations led to penalties being imposed against retailers?	84
37.	Did the state use any innovative methods that might be adopted in other EBT states?	85
38.	What level of funding would South Carolina require to perform the recipient integrity monitoring activities under full implementation?	86
39.	Are there any activities South Carolina would be able to perform if limited or no FNS funds were available?.....	88
40.	What are the cost advantages/disadvantages to allowing the State to use a portion of the funds saved by the actions taken against recipients?.....	89
41.	What if any, negative consequences may result from allowing the state to use a portion of the funds saved by the actions taken against disqualified EBT recipients?	90

EXECUTIVE SUMMARY

The U.S. Department of Agriculture (USDA), Food and Nutrition Service (FNS) funded an Electronic Benefits Transfer (EBT) Client Integrity Program (CIP) demonstration and evaluation for South Carolina. The overall demonstration objectives were to “deter fraudulent misuse of the EBT card and to restore integrity to the FSP.” South Carolina’s objectives for the CIP demonstration were —

1. establish operational procedures that support client integrity with EBT;
2. identify benefit misuse by clients; and,
3. deter fraudulent misuse of the EBT card through the disqualification process and by assisting other government agencies.

The evaluation objectives were to examine how well the demonstration objectives were met. Exhibit ES-1 provides a timeline of pertinent activities that occurred during the evaluation.

Exhibit ES-1: CIP Timeline

Activity	Date
Grant Application for the CIP was Awarded	October 1995
EBT was Implemented Statewide	December 1995
CIP Demonstration Evaluation Commenced	February 1996
Investigators and CIP Coordinator were trained	February 1996
First referral was received for the CIP	March 1996
Changes in Welfare Legislation Effective	September 1996
Expansion of CIP Coordinator Responsibilities	January 1997
Change in CIP Hearings Process	June 1997
CIP Demonstration Evaluation Completed	September 1997
The Automated Detection System was Fully Implemented	December 1997

Source: Evaluation of the CIP Demonstration, June 1996 to September 1998.

One of the anticipated benefits of converting food stamps to EBT is the value of having transaction data available for systematic analysis. This has proven to be very effective for retailer integrity initiatives due to the level of documentation and detail available through the relatively large volume of transaction data. Although EBT transaction data profiles

were not automatically identified to detect recipient misuse, it was available for investigative purposes. For recipients, shopping habits vary widely and a comparable volume of transaction data is not always available. The South Carolina CIP produced an organized and repeatable disqualification process to identify benefit misuse by recipients. However, a key limiting factor to this program during the evaluation period was the lack of an automated detection system for data extraction, analysis, and reporting. Now that the State/Federal Agency Monitoring (SAM) system is operational, continuation of the demonstration with the requirement for another evaluation should provide additional results. South Carolina should continually evaluate inconsistencies within the SAM system, identify new/changing misuse profiles, consider adding statistical analysis abilities to the SAM system, and maintain control of the system within Department of Social Service (DSS).

The basis of the CIP evaluation was a set of research questions that focused on the CIP procedures, variations in performance, and implications for a national recipient monitoring program. Conditions that restricted how and to what extent the CIP evaluation was conducted are identified in Section 2 of this report as issues and limiting factors. These items included 1) no new prevention activities were used during the CIP, 2) the automated system for misuse detection (i.e., SAM system) was not fully operational, 3) the referral log for tracking cases was poorly maintained, and 4) adequate pre-EBT data was unavailable.

Section 3 of this report describes the four CIP procedural phases: 1) Prevention, 2) Referral, 3) Investigation, and 4) Adjudication. Performance variations from the CIP demonstration are identified in the details of the evaluation results. For example, these variations do not address differences between geographic locations or field offices across the State because the CIP was in essence implemented consistently across the State.

Evaluation results of the South Carolina CIP demonstration are positive. Although South Carolina did not establish operations significantly different from other States, operational procedures were established to support an EBT recipient integrity program. The State did use recipient referrals to identify benefit misuse, but the CIP

demonstration did not have any value-added methods or tools for generating new referrals on its own. Finally, the CIP demonstration did disqualify recipients and assist other government agencies with EBT integrity efforts. However, no positive conclusions about the deterrent effect can be drawn from this final result because prevention techniques were not measurable during this evaluation.

Three general recommendations for the CIP evaluation which would be applicable to other states are presented in this report. Consistent with the original demonstration objectives, the recommendations are as follow:

1. States should ensure operational procedures, such as investigations and adjudications of referrals, are streamlined for maximum process efficiency.
2. States should automate misuse detection and establish recipient monitoring procedures to methodically and consistently assess EBT transaction data for misuse patterns.
3. States should establish various preventative measures and evaluate the deterrent effect of these measures for recipient misuse.

Volume II Introduction

This document represents Volume II of a two volume report. Volume I, *South Carolina Client Integrity Program Evaluation Report*, provides a summary of the CIP process, evaluation results, and recommendations. Volume II, *South Carolina Client Integrity Program Evaluation Report: Detailed Analysis*, provides an indepth assessment of a set of research questions provided by FNS regarding CIP procedures, variations in performance, and implications for a national recipient monitoring program. Each volume of this report is bound separately.

Various research results provided in Volume II are based on statistical/numerical analysis of the data collected. The following table summarizes the statistics used in answering the research questions of the evaluation. This table should be used primarily for quick reference and not by itself to interpret the data.

Description	Number ¹	Number Source
Total Number of Recipients on FSP in 1997	358,606	Reported by a DSS representative
Total Number of Recipients on FSP in 1994 (pre-EBT)	388,045	Reported by a DSS representative
Total Number of Retailers authorized by FSP in 1997	2741	FNS
1995 Total CIP Expenditures	\$0	South Carolina's SF-269s
1996 Total CIP Expenditures	\$114,645	South Carolina's SF-269s
1997 Total CIP Expenditures	\$117,922	South Carolina's SF-269s
Total Expenditures for the Entire CIP Demonstration	\$232,567	Quarterly Reports provided by South Carolina
Amount saved through the CIP Based on Disqualification terms that have been completed	\$66,743	Quarterly Reports provided by South Carolina
1997 Average savings per month per recipient	\$66.21	Averaging the total amount saved based on the amount each disqualified recipient's benefits were/are being reduced
1994 Average savings per month per recipient	\$65.59	Reported by a DSS representative
Total ADH savings per month	\$5,296.8	Number of ADHs (80 from the referral log) multiplied by the average 1997 savings per month
Total ACA savings per month	\$27,212.31	Number of ACAs (411 from the referral log) multiplied by the average 1997 savings per month
Retailer referrals DSS has given FNS	195 ²	Provided by FNS
DSS retailer referrals that caused retailer disqualification.	5 ³	Provided by FNS
Total referrals received by DSS throughout the demonstration	1790	Referral Log total
Total referrals received in 1994 (Pre-EBT)	305	1994 Hearing Log from the Appeals Unit
Total Referrals received by DSS from interagency staff	513 (28.6%)	Referral Log
Total number of FNS Retailer Disqualification referrals received by DSS	777	Referral Log
Percentage of total referrals that were referred by FNS Retailer Disqualifications	43.4%	Referral Log (percentage is based on the total number of FNS referrals divided by the total number of referrals)
Total number of community referrals received by DSS	447	Referral Log
Percentage of overall referrals that were referred by the Community	25%	Referral Log (percentage is based on the total number of community referrals divided by the total number of referrals)
Total number of Fraud Hotline referrals received by DSS	39	Referral Log

¹ These numbers include information starting in March 1996 through September 1997 in the study area which included the entire state of South Carolina.

² Fifty of these referrals were not suitable for action.

³ Five DSS retailers referred by DSS have resulted in disqualifications, however, only one was a direct result of CIP investigations.

Description	Number ¹	Number Source
Percentage of overall referrals that were referred by Fraud Hotline	2.2%	Referral Log (percentage is based on the total number of Fraud Hotline referrals divided by the total number of referrals)
Total number of referrals received from SAM by DSS	14	Referral Log
Percentage of overall referrals referred by the SAM system	.8%	Referral Log (percentage is based on the total number of SAM referrals divided by the total number of referrals)
Total referrals assigned to an investigator	1790	Referral Log
Total number of cases adjudicated	935 ⁴	Referral Log (number includes ACAs, ADHs, and unfounded)
Total number of cases successfully adjudicated by an ADH	80 (9%)	Referral Log
Total number of cases successfully adjudicated by an ACA	411 (44%)	Referral Log
Total number of cases still being investigated or waiting adjudication	855	Referral Log
Recipients disqualified in 1994 (Pre-EBT)	104 ⁵	1994 Hearing Log from the Appeals Unit
1994 savings resulting from recipient disqualifications	\$6,822	The number of recipients disqualified multiplied by the 1994 average benefit amount (\$65.59).
Total number of Recipients disqualified in 1997	310 ⁶	Referral Log
1997 savings resulting from recipient disqualifications	\$123,150.60	The number of recipients disqualified multiplied by the 1997 average benefit amount (\$66.21).
Total permanent Disqualifications for the entire demonstration	1	Provided by a DSS representative
Total two year Disqualifications for the entire demonstration	0	Provided by a DSS representative
Total 12 month Disqualifications for the entire demonstration	85	Provided by a DSS representative
Total 6 month Disqualifications for the entire demonstration	405	Provided by a DSS representative
Total disqualifications by region	1&2 - 71 3&4 - 291 5&6 - 129	Referral Log
Total unfounded by region	1&2 - 170 3&4 - 166 5&6 - 108	Referral Log
Total ACAs by region	1&2 - 64 3&4 - 241	Referral Log

⁴ This number includes all cases that resulted as unfounded. The cases may have been determined unfounded as a result of an ADH or prior to an ADH.

⁵ This number is an approximation due to the fact that little Pre-EBT data was available.

⁶ This number includes referral dispositions that did not have dates recorded in the referral log.

Description	Number ¹	Number Source
	5&6 - 106	
Total ADHs by region	1&2 - 7 3&4 - 50 5&6 - 23	Referral Log
Recipient disqualifications by region	1&2 - 71 3&4 - 291 5&6 - 129	Referral Log
Total number of FNS Retailer Disqualification referrals adjudicated	477	Referral Log (number includes ACAs, ADHs, and unfounded)
Total number of FNS Retailer Disqualification referrals adjudicated in favor of State	299 (62.7%)	Referral Log (adjudications either resulted in a successful ACA or ADH)
Total number of Interagency referrals adjudicated	209	Referral Log (number includes ACAs, ADHs, and unfounded)
Total number of Interagency referrals in favor of the State	108 (51.6%)	Referral Log (adjudications either resulted in a successful ACA or ADH)
Total number of Community referrals adjudicated	227	Referral Log (number includes ACAs, ADHs, and unfounded)
Total number of Community referrals in favor of State	83 (36.5%)	Referral Log (adjudications either resulted in a successful ACA or ADH)
Total number of SAM referrals adjudicated	9	Referral Log (number includes ACAs, ADHs, and unfounded)
Total number of disqualifications resulting from a Community referral	447	Referral Log (adjudications either resulted in a successful ACA or ADH)
Total number of SAM referrals in favor of State	8 (89%)	Referral Log (adjudications either resulted in a successful ACA or ADH)
Total number of Fraud Hotline referrals adjudicated	12 (30.8%)	Referral Log (number includes ACAs, ADHs, and unfounded)
Total number of Fraud Hotline referrals in favor of State	3 (25%)	Referral Log (adjudications either resulted in a successful ACA or ADH)
Total referrals determined unfounded	444	Referral Log
Total successful ACAs	411	Referral Log
Total successful ADHs	80	Referral Log
Total rulings in favor of the client through an ADH	9	DSS representative
Total number of successful ADHs prior to June 1997 (14 months of data)	33	Referral Log
Total number of successful ADHs after June 1997 (3 months of data)	47	Referral Log
Range of days to investigate and adjudicate	12 days to 13.5 months	Referral Log (calculate the number of days from the time an investigator is assigned a referral to the disposition date)
Range of days to investigate and adjudicate via ACA	12 days to 8	Referral Log (calculate the number of days from the time an investigator is

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

Description	Number ¹	Number Source
Estimated future number of recipient disqualifications per year	months 275	assigned a referral to the disposition date) The average number of monthly disqualifications, during a successful quarter, multiplied by 12 months.
Estimated future savings resulting from recipient disqualifications each year	\$218,493	The number of anticipated recipient disqualifications based on the 1997 average savings per recipient (\$66.21) and a 12 month disqualification.

1. How do the practices and operational procedures used by South Carolina for monitoring recipients differ from those used prior EBT implementation?

Assumptions: 1. "monitoring" means detection, investigation and adjudication activities; 2. the scope of "monitoring" activities is limited to misusing food stamps and/or EBT cards; 3. "operational procedures used by South Carolina" are those related to the Client Integrity Project (CIP).

In order to compare the operational procedures used by South Carolina to monitor suspected misuse recipients prior to EBT with procedures used post-EBT, each process must be thoroughly understood. Therefore, several questions regarding "process" were asked of the state's Department of Social Services (DSS) personnel. The purpose of these interviews was to gather information that would enable the Booz·Allen and Hamilton (BAH) research team to adequately describe the pre-EBT process. In addition to interviewing DSS personnel, CIP personnel (e.g., CIP coordinator, CIP Investigators, Appeals Examiner etc.) were interviewed. Questions asked during these interviews were created to obtain a detailed description of the post-EBT recipients monitoring process.

Data from interviews and documentation pertaining to the two processes were summarized and pre- and post-EBT practices and procedures were compared. The following sections provide a:

- description of the pre-EBT recipient monitoring process;
- description of the post-EBT recipient monitoring process;
- comparison of the two monitoring processes.

Pre-EBT Monitoring Process

Prior to the incorporation of EBT, the state did not have a definitive process for monitoring food stamp recipients. Since there was no method to trace transaction information, giving out food stamps was like giving recipients cash. If there were reports of possible misuse, the Claims/Eligibility Worker (CEW) assigned to the suspected recipient would request a meeting with him/her. The intent of the meeting was to counsel, not disqualify, the recipient, and to discuss the suspected misuse. However, several cases were processed through an investigative process and the existing adjudication process. These cases dealt with over issuance and criminal activity associated with recipient's benefits. Recipients were disqualified as a result of the following: dual participation (receiving benefits in more than one household or having two social security numbers); failure to report income increases; or selling food stamp coupons for cash.

Prior to EBT implementation, there was no process for detecting food stamp misuse. If someone identified a recipient in the community as committing misuse or receiving more

funds than reported, the CEW assigned to the case was notified and would request an interview with the recipient. The purpose of the interview was to ask the recipient if he/she had misused his/her benefits and to discuss the possible ramifications of doing so. The CEW did not accuse the recipient of misuse; the issue was merely discussed. If the community did not report potential misuse, the situation went undetected and uninvestigated.

Over-issuance was detected primarily through interface with the computer system (e.g., Employment Security Administration) and reports from the community. Each county would investigate these cases differently. All would discuss the issue with the recipient. However, in order to fully determine whether the recipient intentionally did not report an over-issuance, other approaches could be considered. For example, some employees would go talk to a recipient's neighbor. If sufficient evidence was gathered, the case would go to a county Claims Review Board, consisting of CEWs supervisors. If the Claims Review Board determined that there was sufficient evidence to proceed, the county would request an administration hearing for an intentional program violation (IPV). If the Claims Review Board determined that there was not sufficient evidence, the case was reclassified as a client or agency error.

Post-EBT Monitoring Process

South Carolina has incorporated EBT as a means of transmitting benefits to recipients electronically, thus omitting the use of a paper-based system. The use of EBT enables the state to monitor recipient's account activities by viewing transaction data. Monitoring recipients involves a specific set of individuals. Exhibit 1 defines the roles and responsibilities of CIP personnel and other affiliated individuals.

Exhibit 1: Roles and Responsibilities

Title	Role/Responsibilities
Supervisor - Food Stamp Policy Unit	CIP Project Administrator
CIP Coordinator	Coordinate activities of the CIP Investigators, maintain the referral log and assign referrals
CIP Supervisor (3)	Provide administrative supervision to the CIP Investigators
CIP Investigator (3)	Review transaction data and investigates suspected EBT misuse referrals
CEW	Conduct the approval process for applicants for the Food Stamp Program (FSP) and provide recipient referrals to DSS for recipients suspected of misusing their benefits.
Appeals Examiner	Perform the ADH process.

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

All CIP personnel and other stakeholders were asked about the CIP process for monitoring suspect recipients. They responded by describing a three-phase approach: Phase I – Referral, Phase II – Investigation and Phase III – Adjudication. Based on the reviewed documentation and interviews conducted in South Carolina, the Booz·Allen evaluation team composed a visual representation of the CIP process. Attached are diagrams that depict the actions involved in each phase. The following paragraphs provide detailed descriptions of the phases.

Phase I – Referral

The two primary components of Phase I are identifying suspect recipients and generating referrals. Involved in the referral process are: CIP Coordinator, the supervisor of the food stamp policy Unit, CIP Investigators, FNS, the Fraud Hotline, county offices, and the community. Five steps are followed when detecting suspect recipients:

1. Collect referrals from various sources (e.g., community, Citibank & Fraud Hotline, FNS retailer disqualification's).
2. Determine whether the referral is a potential IPV and group all “misuse” referrals together. The CIP Coordinator and the Supervisor of the Food Stamp Policy Unit conduct this screening process.
3. Enter misuse referrals into the automated log system (if referral already exists in log go to step 5); all non-misuse referrals should be forwarded to the appropriate state office.
4. Disburse referrals to CIP Investigators based on region. Attached is a map of the various regions within South Carolina. Note: Each CIP Investigator is assigned two regions.
5. Omit referrals from progressing to “Investigation” phase if:
 - referral has been logged;
 - disposition was determined, and
 - transaction data is outdated (i.e., three months or older).

The Client Integrity System (CIS) was expected to be implemented as a detection tool by June of 1997. However, since the tool has not been updated to weight and flag recipient transactions suspected of misuse based on a specified profile, to date the CIS has only been used to verify suspected misuse. Once the CIS is fully implemented, it is expected to produce large quantities of referrals. As stated, referrals are presently coming from the community, the Hotline and FNS retailer disqualifications: actual detection of recipient's misuse has been minimal.

Phase II – Investigation

The purpose of Phase II is to investigate recipients who are suspected of misusing their EBT card. Investigation encompasses three key activities: 1) generating case files, 2) notifying suspect recipients by mail, and 3) conducting interviews with recipients.

Persons involved in the investigation process include CIP Investigators and county office personnel (e.g., CEWs).

There are presently three CIP Investigators conducting investigations. Previously, the CIP Coordinator was also conducting investigations for five counties from four regions. The need for a fourth CIP Investigator arose from a backlog of cases at DSS. As of September 1997, the previous CIP Coordinator, who was performing part-time as an Investigator, became a full-time CIP Investigator. One of the other Investigators had resigned, which reduced the number to only three full-time CIP Investigators. The CIP Coordinator position was filled by another person from the existing DSS staff. DSS has mentioned on several occasions that more than three full-time CIP Investigators are necessary.

Conversations with investigative personnel revealed the details of the investigation process. Phase II begins with CIP Investigators receiving referrals from the CIP Coordinator. Next, the CIP Investigator begins to build a case file for each referral received, containing items such as a recipient profile and transaction data. This information assists the CIP Investigator in building a case against the recipient in question and acts as supporting evidence of the recipient committing EBT misuse activities.

Letters are mailed to suspect recipients notifying them that their conduct is in question and that they should contact the South Carolina DSS. If the recipient referral was the result of an FNS retailer disqualification, the first letter will contain an Administrative Consent Agreement (ACA) and the transaction data in question. Otherwise, this information is only included in the second letter. If the recipient does not reply to the first letter within 10 days, a second letter is sent that contains an ACA and transaction data, for all recipients. Some CIP Investigators stopped sending the transaction data because they found that recipients were using it to prepare for the interview. The data enabled the recipient to see what the CIP Investigator was consider misuse and to fabricate alibis accordingly. The enclosed ACA allows a recipient to accept disqualification for the suspected misuse without further charges by signing the form. The form allowed the recipient to either admit guilt or accept the disqualification without admitting guilt. In March of 1997, however, the ACA was revised to allow the recipients to sign only by admitting guilt. This change was a result of the need to use these ACA forms in retailer disqualifications. Oftentimes, FNS would give the DSS a list of recipients shopping at a suspected retailer. The DSS would attempt to get a confession of misuse from one or more of the recipients that would provide enough evidence to prosecute the retailer. Since the ACA allowed recipients to accept disqualification without admitting guilt, it was not helping with retailer disqualifications. Although this change appears effective in assisting with FNS Retailer Disqualifications, it should be noted that the change is in violation of the Food Stamp Regulation 273.16 (f) (1). Attached are examples of the notification letter and ACA.

All letters returned due to incorrect addresses are given to the appropriate CEW to investigate the suspect's identity and correct residence. This description of the mailing process is applicable to most referrals with the exception of FNS referrals. Suspect recipients referred by FNS are grouped into two categories:

General – Referrals that are received as a result of FNS retailer disqualification's. In other words, FNS has suspended a retailer, and these recipients were identified in retailer transaction data as potentially misusing their benefits.

Priority – Like general FNS referrals, a letter is mailed accompanied by an ACA. The difference is that the DSS must mail FNS "priority" referrals notification letters within three days of receiving the referrals from FNS. The reason these referrals are considered priority is because FNS is in the process of investigating a retailer and would like to have evidence of several recipients found guilty of misuse frequenting that particular store. This evidence would act as a strong indication that the retailer is guilty of misuse.

Suspect recipients that contact DSS by phone talk to their assigned CIP Investigator to discuss their suspected misuse. After discussing the case with the suspect, the CIP Investigator determines whether there is sufficient evidence of misuse. If not, the case is filed away for possible, future. If however, there is sufficient evidence of EBT card misuse, the CIP Investigator will request a meeting with the suspect. The suspect may or may not agree to this meeting.

When a suspect recipient agrees to meet the CIP Investigator, a time and place is agreed upon. The purpose of the meeting is to discuss suspected misuse committed by the recipient and generate a signed statement (see Appendix C for a sample Statement). Each CIP Investigator follows a specific questionnaire which asks the recipient if they are aware that the DSS can monitor the location and amount of each purchase they make with their card, and asks how they knew that the retailer would allow misuse. After the meeting, the CIP Investigator determines if there is sufficient evidence of misuse. If not, the case is either determined unfounded or held for possible future investigation. If there is sufficient evidence of misuse, the suspect recipient is presented the ACA and asked to read it and sign it if they admit to misuse and want to waive their right to an Administrative Hearing (ADH). Once the ACA is signed, the suspect awaits the ACA process. Suspects who do not sign the ACA proceed to an ADH. Suspects who do not meet with the CIP Investigators to provide a statement are also scheduled for an ADH.

Suspect recipients who do not contact the DSS after the second letter are sent a notice regarding the date and time of an ADH.

Phase III – Adjudication

The purpose of Phase III is to disqualify recipients who are found guilty of EBT misuse. Individuals and groups involved in Phase III consist of: CIP Investigators, the CIP

Coordinator, the Claims Review Board, CEWs, Appeals examiners and the Hearing Committee. These people ensure that the adjudication is conducted successfully. Adjudication consists of two distinct disqualification processes: ACA and ADH.

The ACA process involves the signing of an ACA by the suspected recipient. The CIP Investigator submits evidence and an original copy of the signed ACA to the Claims Review Board for approval. The Claims Review Board reviews the case information and makes a decision. If the suspect recipient is found not guilty, the CIP Investigator is notified of the disposition by the Department of Individual and Provider Rights (DIPR). The CIP Investigator notifies the recipient and sends the case to DSS for analysis. If the suspect recipient is found guilty, the Review Board signs the original copy of the ACA and sends it to the CIP Investigator. The CIP Investigator notifies the suspect recipient of the disposition. The recipient's disqualification status is entered into the Client History Information Profile System (CHIPS) and the National Disqualification Screen in IEVS by one of two people: the CIP Investigator or the CEW. The CIP Investigator mails a formal letter to the accused recipient stating the length of disqualification and the date on which it will take effect. The CIP Investigator also sends a copy of the disposition to the CIP Coordinator. Disqualifications commence the first day of the following month, provided sufficient time is allotted to notify the recipient. To date, there has only been one incident in which a signed ACA was overturned. This was a case in which the Claims Review Board did not feel that the recipient was able to fully comprehend what he was signing.

An ADH is held when a suspect recipient does not sign an ACA, thereby electing to go to a hearing. The Claims Review Board convenes on a monthly basis by region and consists of CEWs. These boards determine if the evidence contained in case files for suspect misuse. Cases with insufficient evidence are filed by the DSS and may be used as a future. Those cases deemed as having sufficient evidence move forward in the adjudication process.

CIP Investigators send a written summary and evidence to the assigned Appeals Examiner. The Appeals Examiner schedules and coordinates a hearing which must be held within 60 days. All stakeholders (i.e., CIP Investigator, suspect recipient) are notified of logistics and procedures. In addition, a copy of the summary statement is sent to the suspect recipient. Returned letters are sent to CEWs associated with the case for investigation. Suspect recipients who do receive their letter are assumed to have agreed to an ADH.

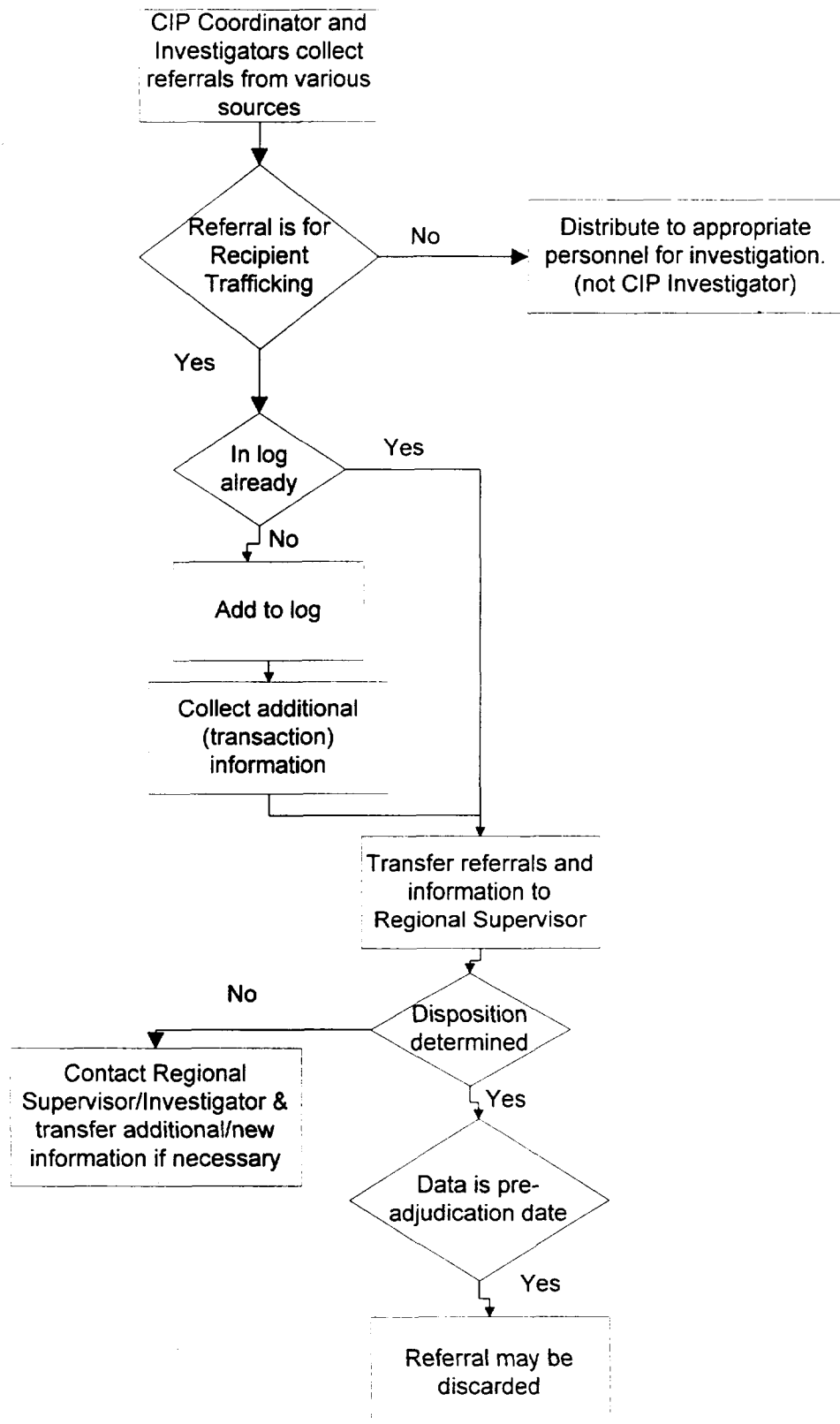
At the ADH, the CIP Investigator presents evidence before the assigned appeals Examiner. Prior to June 1997, there was one Appeals Examiner assigned to all CIP cases. This proved to be inefficient due to the time it was taking for a case to be scheduled, heard and adjudicated. Therefore, three more examiners were added to the CIP adjudication process. The hearings consist of the recipient's, if present, the recipient attorney, if applicable, and the CIP Investigator meeting at a designated local office, and the Appeals Examiner is then called into the meeting to hear the case. After the ADH is

held, the Appeals Examiner determines the disposition and sends it to the members of the Hearing Committee with a tape of the hearing. The committee consists of an employee from Policy and Planning, County Technical Assistance and the Appeals Examiner. Each member reviews the tape individually and if member agrees with the Appeals Examiner's decision, he/she signs the decision. In order for a decision to stand there must be two out of the three members agreeing on a decision. The final judgment should be made within 30 days. DIPR is notified of the ruling by the committee. The CIP Investigator and the suspect are also notified of the disposition by the Appeals Examiner. The case is sent to the DSS for filing and possible analysis if the suspect is found innocent. However, if the suspect is found guilty of misuse, the disposition is entered into the CHIPS and the National Disqualification Screen in IEVS. Disqualifications must be imposed on the first day of the month following the adjudication date. Recipients are notified of the disqualification via the CIP Investigator. Copies of the disposition cover sheet are sent to the CIP Coordinator.

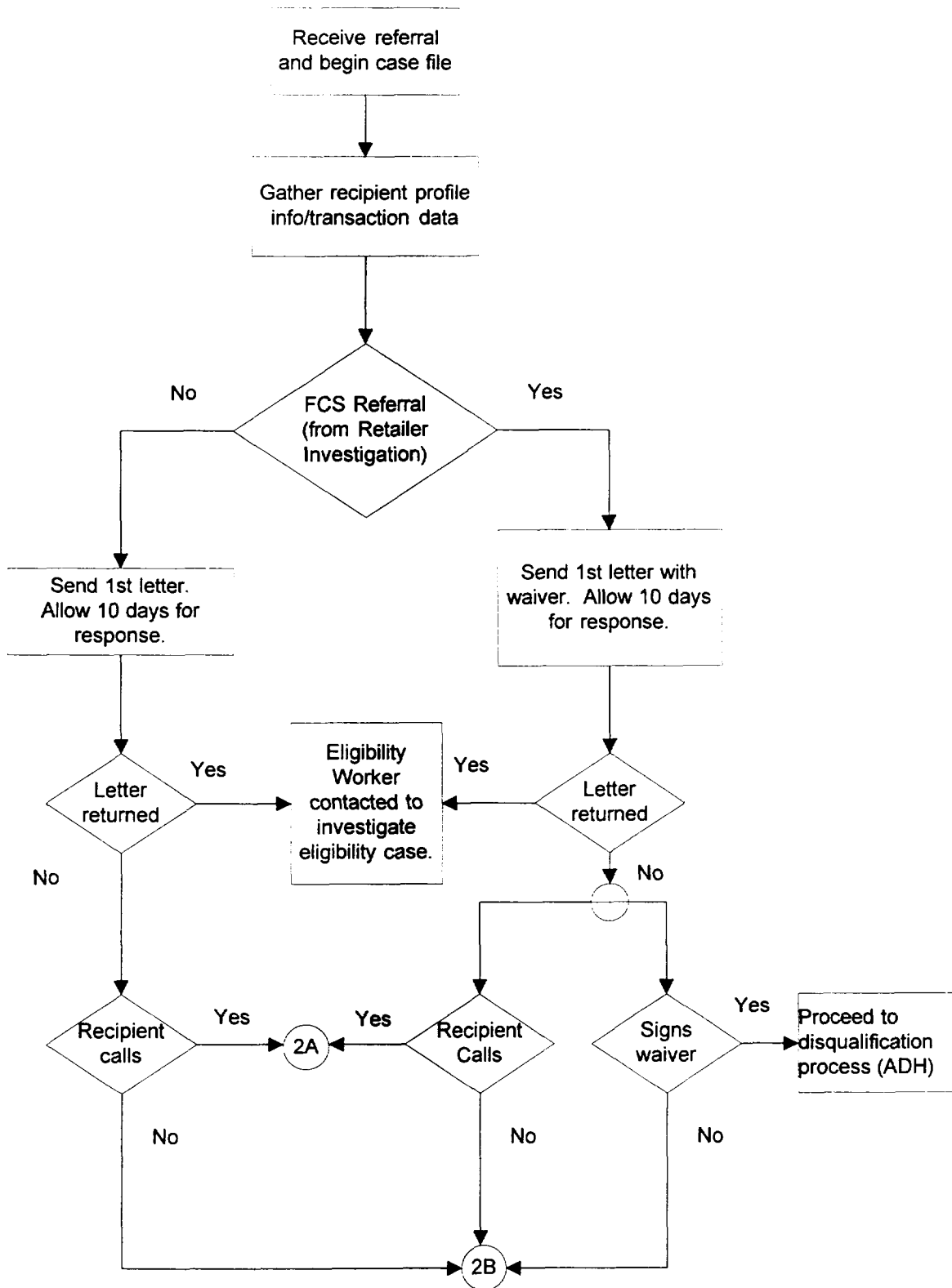
Comparisons

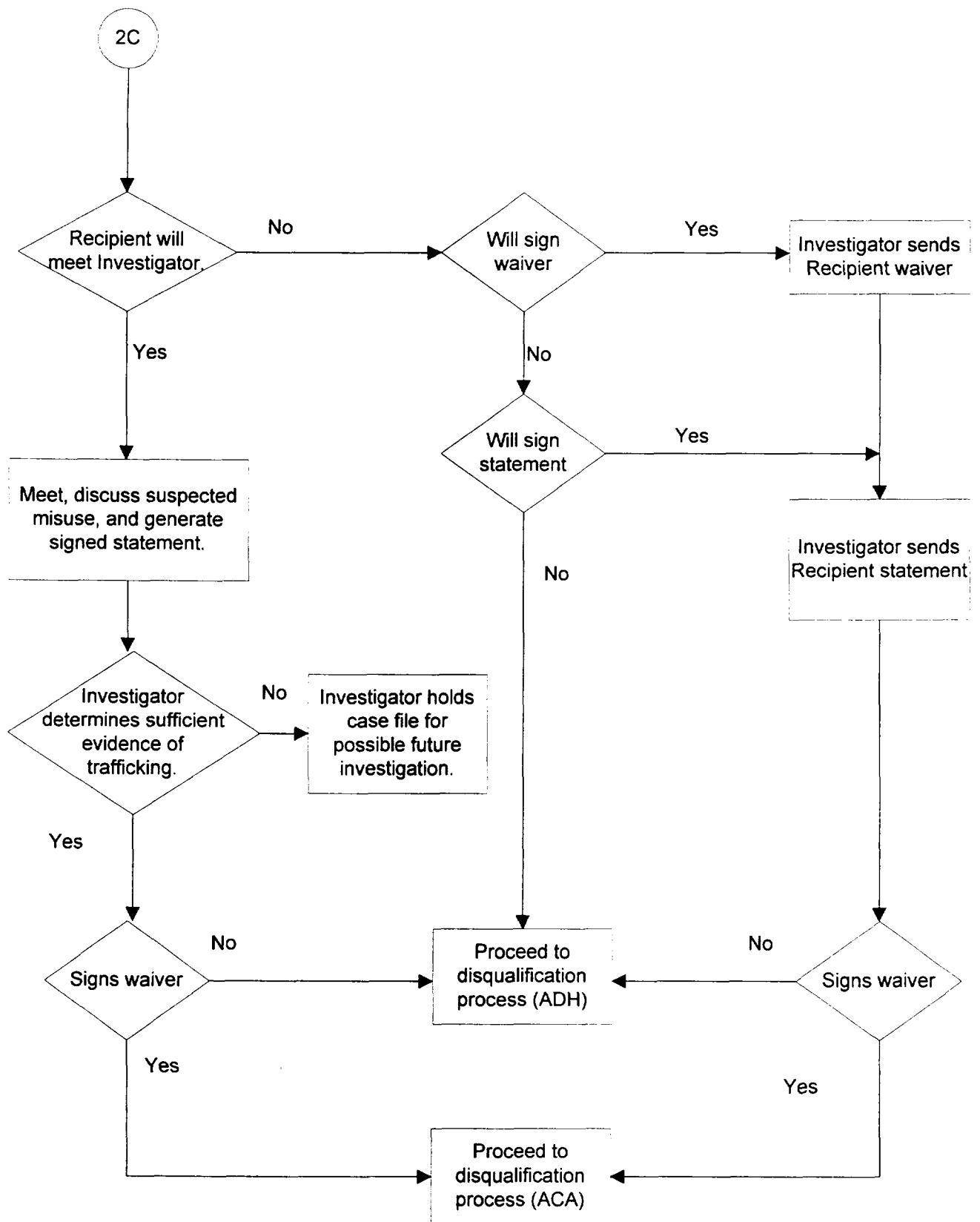
Prior to EBT implementation, there was no formal process or procedure for monitoring recipient behaviors. If a recipient was identified by the community for possible misuse, a CEWs would discuss the suspected act and the ramifications of misuse. Otherwise these cases were not investigated. Recipients were detected, investigated and adjudicated based on evidence of criminal charges or over Issuance of benefits. Criminal charges and over issuance cases that were determined to be IPV's were adjudicated in the same way as adjudications in the CIP. EBT has allowed the DSS to monitor recipients' shopping patterns and to determine whether misuse is occurring by reviewing transaction data once a recipient is referred. EBT has enabled the DSS to create a formal process to investigate misuse and disqualify recipients. Since pre-EBT disqualification's were based on criminal activity and over-issuance and were intended to produce claims, and EBT disqualification's are based on transaction data and strictly intended to ensure integrity in the FSP, few comparisons can be made between the two procedures.

1.0 Identify Suspected Recipients & Generate Referrals

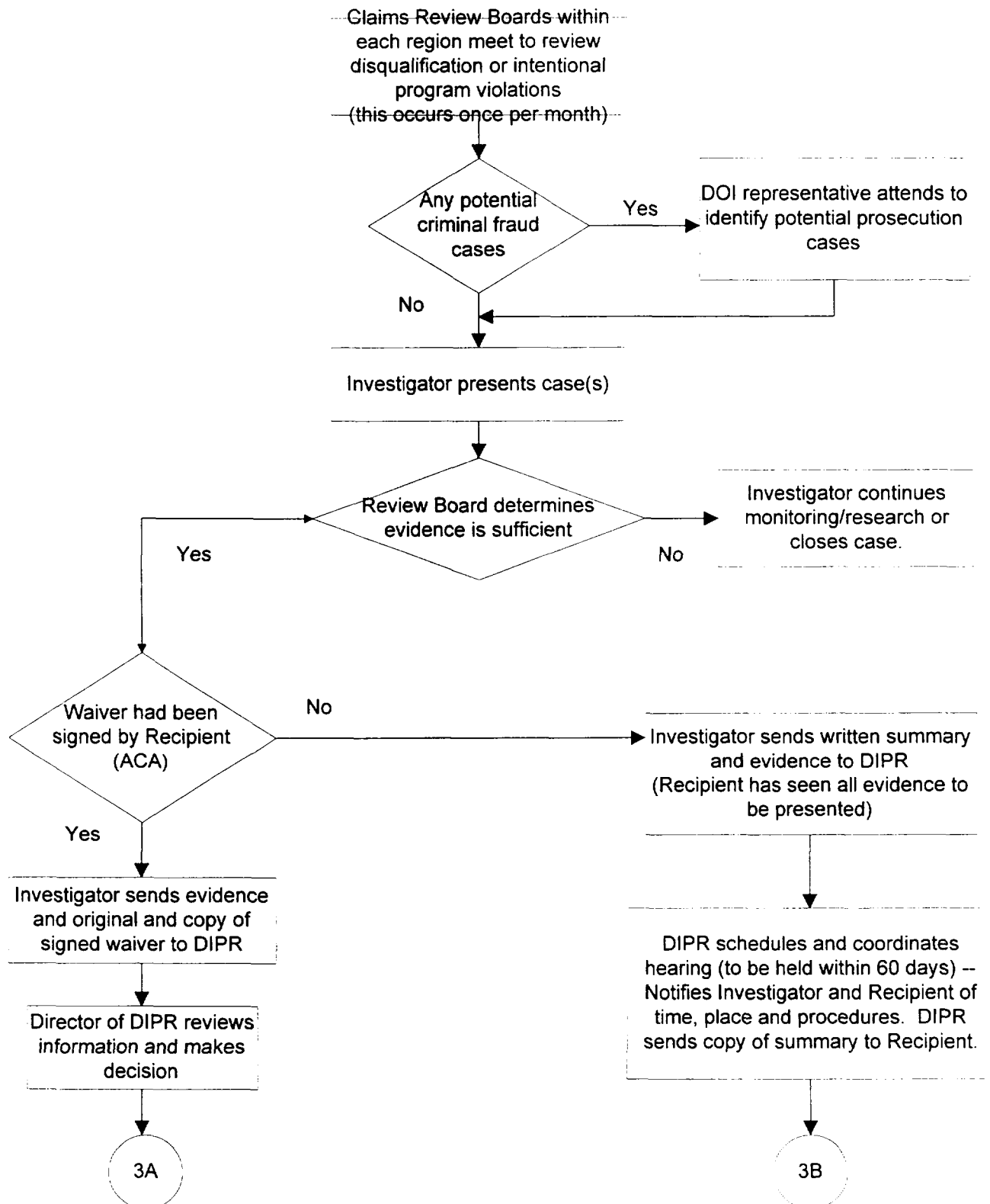


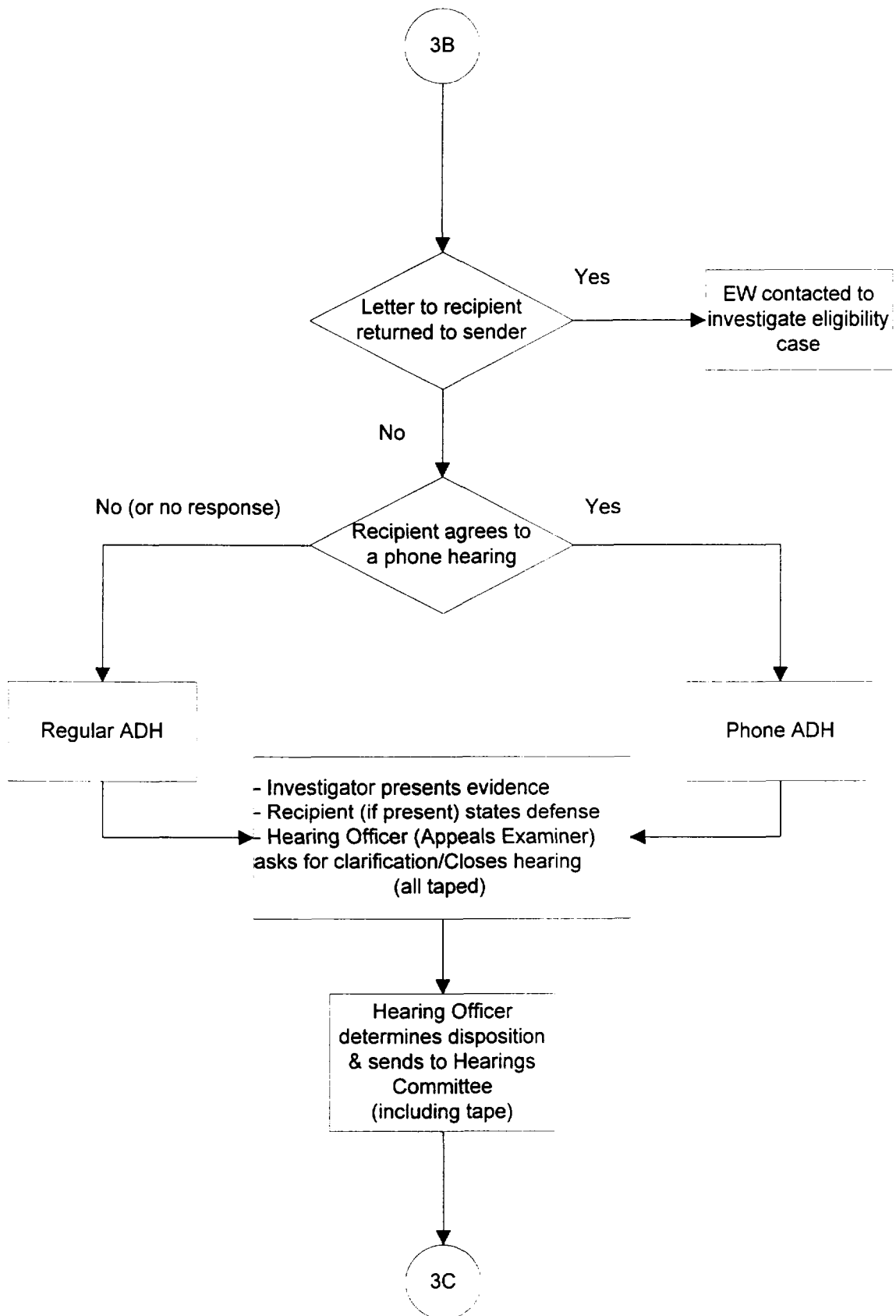
2.0 Investigate Suspected Recipients

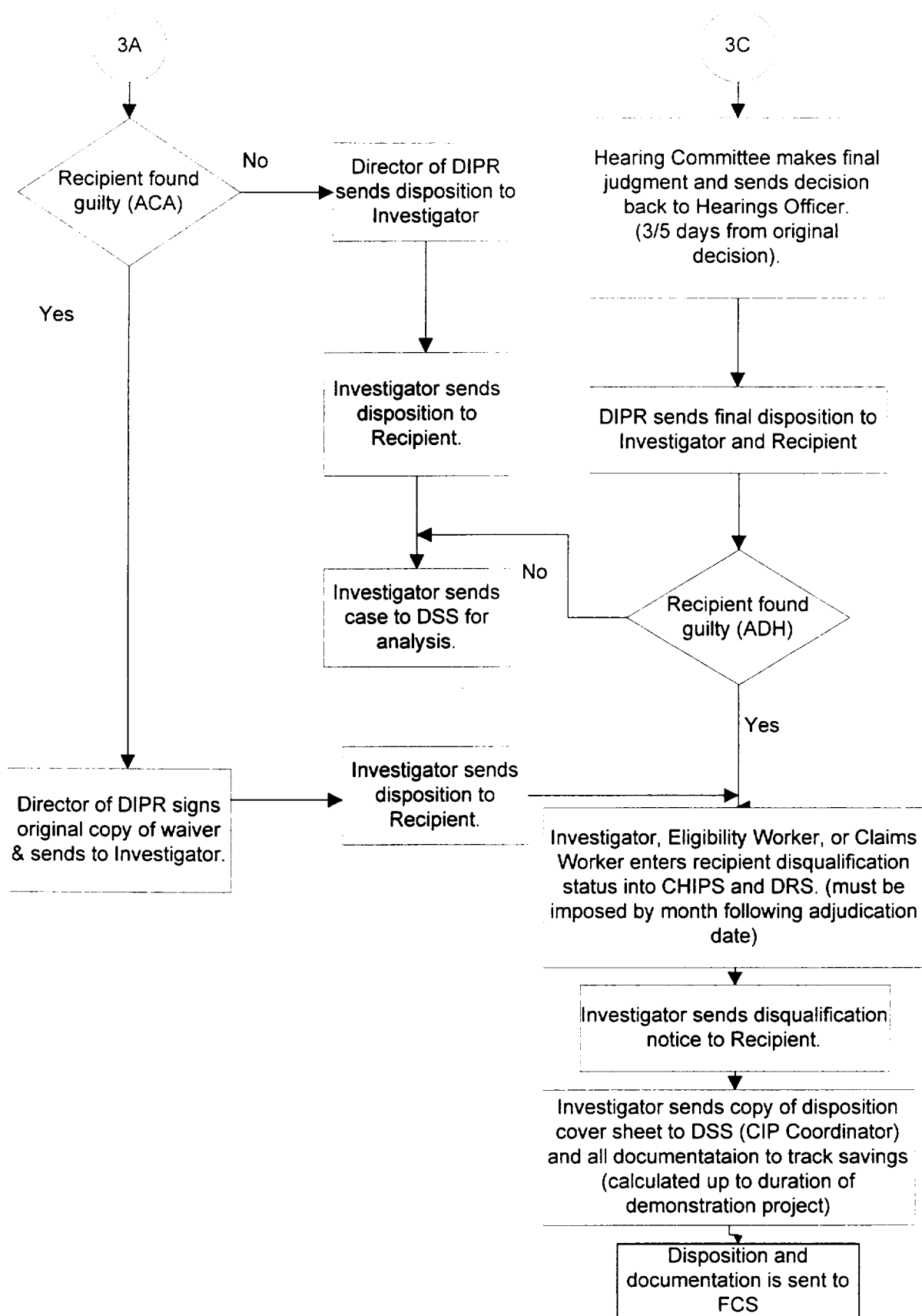


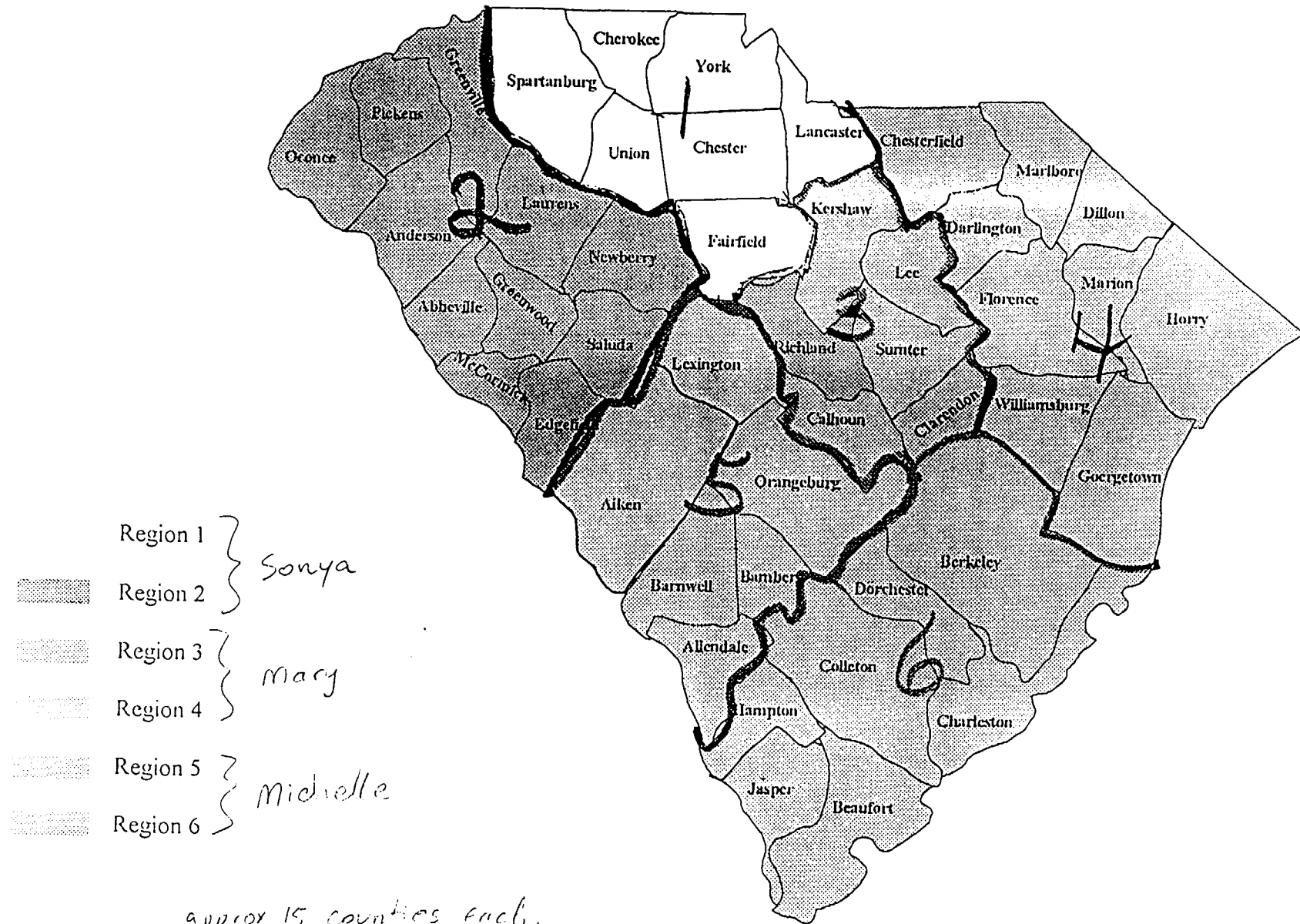


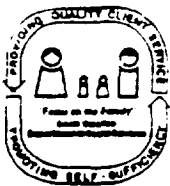
3.0 Disqualify Guilty Recipients











**SOUTH CAROLINA
DEPARTMENT OF SOCIAL SERVICES**
Post Office Box 1520, Columbia, South Carolina 29202-1520

Public Information Telephone (803) 734-6179 Fax Number 734-5597



JAMES T. CLARK
STATE DIRECTOR

(Date)

Dear _____:

The South Carolina Department of Social Services, in conjunction with the United States Department of Agriculture, administers the Food Stamp Program. As a participant in the Food Stamp Program, you were informed by the Department of Social Services that misuse of the EBT card is a violation of federal regulations. We have received evidence of possible misuse of the EBT card issued to you.

We would like to discuss the possible misuse with you. Please contact the person whose name and number appears at the bottom of this letter between the hours of 8:30 a.m. and 5:00 p.m., Monday through Friday.

Failure to contact us within 10 days from the date of this letter will result in your case being forwarded for an Administrative Disqualification Hearing in which your intent to violate program regulations will be determined by a Hearing Officer of this agency.

Sincerely,

Regional Investigator
EBT Client Integrity Project
(8__) _____

**SOUTH CAROLINA
DEPARTMENT OF SOCIAL SERVICES**
Post Office Box 1520, Columbia, South Carolina 29202-1520
Public Information Telephone (803) 734-6179 Fax Number 734-6597



JAMES T. CLARK
STATE DIRECTOR

SECOND NOTICE

(Date)

Dear _____:

This is your second and final notice. Previously you were sent a notice regarding a suspected misuse of your EBT card for your food stamp benefits. You did not respond to the first notice so we are scheduling an appointment to see you on _____ at _____. **We expect your full cooperation at this time.**

We have attached a copy of a Waiver and Agreement form and a self-addressed envelope. If you sign the waiver form, you do not have to keep the above appointment and there will be no further action on your case. However, you will be disqualified from the Food Stamp Program for a period of:

- ☐ Six (6) months for the first offense;
- ☐ Twelve (12) months for the second offense; or
- ☐ Permanently for the third offense.

If you receive food stamps for other family members, they will continue to receive benefits.

Failure to sign the waiver form or contact us within 10 days will result in your case being forwarded for an Administrative Disqualification Hearing in which your intent to violate program regulations will be determined by a Hearing Officer of this agency.

If you have any questions, please call between the hours of 8:30 a.m. and 5:00 p.m., Monday through Friday.

Sincerely,

Regional Investigator
EBT Client Integrity Project
(8) _____

**South Carolina Department of Social Services
EBT CLIENT INTEGRITY PROJECT
ADMINISTRATIVE AGREEMENT**

WAIVER OF HEARING AND CONSENT TO DISQUALIFICATION

In the Case of:

Respondent

Head of Household

Type of Case:

Intentional Program Violation

Hearing Number:

Case Number:

County:

I. The undersigned acknowledges the following:

1. The above Respondent is suspected of an intentional program violation of the Electronic Benefits Transfer program as defined by 7 U.S. 2015 (b) and 7 CFR 273.16 (c) for _____;
2. Unless the Waiver and Agreement is executed within 30 days of the first explanation to the undersigned, administrative or judicial action will be considered;
3. Execution of this Waiver and Agreement will cause the Respondent named above to be disqualified from the Food Stamp Program for (_____ months) (_____ permanently) commencing _____, 19 _____;
4. The Head of the Household named above will receive decreased benefits during the above disqualification period;
5. The Respondent named above may remain silent concerning this charge;
6. Anything signed or said by him or her may be used against him or her in a court of law;
7. The nature and extent of the charges against the Respondent have been explained; and
8. The execution of this Waiver and Agreement does not prohibit prosecution of the above Respondent in a civil or criminal court.

II. Respondent, by his or her signature below, admits to the facts as presented above.

If the Respondent disagrees with the facts presented above and would like to schedule an appointment to discuss the suspected violations, please contact:

_____ Telephone: _____

III. The undersigned Head of the Household understands and agrees that benefits will be reduced because of the disqualification of a member of the household and waives his or her right to a hearing on the reduction in benefits.

Signatures of:

Respondent(s): _____ Date: _____

_____ Date: _____

Head of Household: _____ Date: _____

Regional Investigator: _____ Date: _____

I have reviewed this case and concur in this Waiver and Agreement:

_____ Date: _____

Administrative Hearing Officer's Signature

EBT CLIENT INTEGRITY PROJECT
ADVANCE NOTICE OF AN ADMINISTRATIVE HEARING

A hearing will be scheduled to examine the facts of your case. If you are found to have intentionally committed the violation, you will be disqualified from the program for six months if it is your first violation, for twelve months if it is your second violation, and permanently if it is your third violation.

A hearing will not be scheduled if you sign the attached waiver agreement. *READ THE FORM CAREFULLY. IF YOU SIGN THE FORM YOU AGREE TO BE DISQUALIFIED FROM THE PROGRAM. IN ADDITION YOUR FOOD STAMP BENEFIT WILL BE REDUCED DURING THE DISQUALIFICATION.*

If the Department does not receive a completed waiver from you within 10 days of the date of this notice the hearing for your case will be scheduled. You will be notified of the time and place of the hearing. In addition the Department will provide you with the procedures that will be followed in the hearing.

If you wish to review the evidence the Department has indicating that you committed the violation, call _____ and ask for _____.



SOUTH CAROLINA
DEPARTMENT OF SOCIAL SERVICES

EBT/CLIENT INTEGRITY PROJECT
DOCUMENTATION OF STATEMENT

NAME:

DATE/TIME OF INTERVIEW:

CASE NUMBER:

SOCIAL SECURITY NO:

EBT IDENTIFICATION #:

STATEMENT

I have read, or been read, the above statement which is the truth and which I made freely, voluntarily and without threat or promise.

I have initialed any changes I have made to the statement.

I have received a copy of this statement.

Signature of Person Making The Statement

Signature of Recording Agent

Witness

**SOUTH CAROLINA DEPARTMENT OF SOCIAL SERVICES
EBT CLIENT INTEGRITY PROJECT
ADMINISTRATIVE CONSENT AGREEMENT**

WAIVER OF HEARING AND CONSENT TO DISQUALIFICATION

IN THE CASE OF:

TYPE OF CASE: INTENTIONAL PROGRAM VIOLATION

HEARING NUMBER: _____

CASE NUMBER: _____

Respondents

Head of Household

- I. The undersigned understand(s) that the above respondent is suspected of an intentional policy violation as defined by 7 U.S. 2015(b) and 7 CFR 271.16(c);

That unless the Waiver and Agreement is executed within 30 days of its first explanation to the undersigned, administrative or judicial action will be considered;

That execution of this Waiver and Agreement will cause the above Respondent to be disqualified from the Food Stamp Program for (____ months) (____ permanently) commencing _____, 199__;

That the household of the above head will receive decreased benefits during the above disqualification period;

That the above respondent may remain silent concerning this charge and that anything signed or said by him or her may be used against him or her in a court of law;

That the nature and extent of the charges against the above Respondent are summarized in the household's case file and has been explained; and

The execution of this waiver and agreement does not prohibit prosecution of the above Respondent in a civil or criminal court.

- II. Respondent, by his or her signature below (check one);

() A. Admits to the facts as presented.

() B. Does not admit to the facts as presented but nevertheless knowingly and willingly executes this Waiver and Consent.

- III. The undersigned Head of Household understands and agrees that benefits will be reduced because of the disqualification of a member of the household and waives his or her right to a hearing on the reduction in benefits.

SIGNATURES OF:

Respondent(s):

_____ Date: _____

_____ Date: _____

Head of Household:

_____ Date: _____

Regional Investigator:

_____ Date: _____

for County:

I have reviewed this case and concur in this Waiver and Agreement:

Date: _____

Administrative Hearing Officer

2. Are there situations in which EBT implementation results in information that assists the state in the recipient Integrity monitoring process?

Assumption: 1. question means "since implementation, has EBT produced any information which assisted the state in its recipient-monitoring activities?"

Prior to the CIP, very little recipient-monitoring was possible, as tracking food stamp coupon redemptions was difficult. EBT implementation has augmented each stage of the integrity process. The principal reason is that transaction data is now available, and serves a critical role in the referral, investigation, and adjudication phases.

Transaction data is now gleaned from Citibank's EBT system via administrative terminals and from South Carolina's SAM system. Citibank's EBT system provides the CIP Investigator and Coordinator with the ability to monitor EBT recipients' transactions, resulting in hard data regarding the benefit amount spent, where the EBT card was used, the frequency of EBT card usage, etc. In addition to Citibank's EBT system, the SAM system is used to extract raw recipient transaction data. The CIS/RMS allows DSS to specify certain profiles, such as even-dollar transactions and rapid, repeated transactions, and apply those filters over several months of data (currently three months of data are examined manually). The SAM system's functionality had not been expanded during our evaluation to include recipient detection capabilities where suspect transactions would be automatically "flagged" and prioritized based upon transaction profiles.

Detection efficiency and effectiveness have increased with the ability to analyze transaction activity and potentially verify misuse reported by other sources. Though not currently implemented, the planned CIS portion of SAM will be able to detect recipient profiles (e.g., rapid and repeated, high-dollar transactions) and other filters from the EBT data – a process that was not possible in the former food coupon environment.

Investigations are assisted by the evidentiary trail that fraudulent transactions create. Once a misuse incident is detected, an investigator is able to "drill down," to review specific transactions and establish a pattern of misuse where one exists. The evidence is much more effective than previously in the coupon system. Likewise, the efficiency of gathering the evidence is substantially greater relative to the time and expense of conducting undercover sting operations.

Adjudication activities, like those of the prior integrity stages, also benefit from EBT, as measured by effectiveness and efficiency. In 1994, South Carolina suspended or disqualified approximately 104 individuals, saving approximately \$6,822. In 1997, with EBT, those numbers rose to approximately 310¹ and \$123,150.60 respectively.

¹ The number of successful disqualifications in 1997 was calculated through the automated referral log. This number contains all referrals adjudicated in 1997, as well as cases adjudicated without an adjudication date recorded. Our evaluation team assumed that the adjudicated cases without dates were the result of a rapid update of the log in order to deliver it to our team timely.

3. How did South Carolina address the issue of participant access especially under lock-in/lock-out” circumstances?

Assumption: question is out of scope of this evaluation. This topic is covered in the “Electronic Benefits Transfer Lock-In Lock-Out Analysis” dated May 12, 1997.

4a. How did the state handle complaints from disqualified recipients?

Assumptions: 1. a complaint from a disqualified recipient is an appeal. 2. appeals are an administrative/judicial process beyond the scope of CIP

During the course of our evaluation, the interview team was notified of only one case that resulted in an appeal. This case was still pending at the end of our evaluation.

4b. How did these procedures compare to those for approved recipients, non-recipients and state agencies?

Assumption: "these procedures" refers to complaints regarding process and performance.

4c. What was the nature of these complaints?

Assumption: "nature" refers to categories of complaints.

The procedures to address a disqualified recipient's appeal are entirely different from complaints originating from the public and state agencies. Whereas the former seeks recourse from a decision, the latter seeks action regarding program policy, operations, or client treatment.

The manner in which misuse is differentiated from all other complaints usually occurs at the line level with either the CEW or EBT Hotline operator. Upon receiving a call, the state-worker establishes whether the caller is reporting:

- Suspected Misuse. If so, a referral is prepared, forwarded to the CIP Coordinator, and the process described in the answer to Research Question 1 ensues.
- Card Problems. In this case the caller is placed in contact with either the card issuer (Citibank) or the caller's local EBT office.
- Program Policy. Program policy issues are forwarded to the Director.

In interviewing South Carolina CEWs, it became evident that there was a wide range of procedural understanding.

Complaints are also fielded by CIP Supervisors. If the caller reports:

- a suspected instance of misuse; the supervisor records the information and forwards the referral to the CIP Coordinator located in Columbia, SC.

- problems regarding an CIP Investigator: the supervisor listens to the complaint, and may meet with the caller. Where appropriate, the CIP Supervisor may involve other senior management. Should the complainant not be satisfied with the outcome, they are directed to DIPR.
- disagreement about their case's disposition; recipients are notified of their rights and process for an appeal.

Based upon interviews with the CIP investigators, Hotline workers, and CEWs, complaints, though not systematically tracked, tend to fall into the following categories:

- Suspected Misuse. These include both recipients and retailers, activities involving Card-Trafficking, purchasing items not consistent with program purposes such as alcohol and drugs, and having others purchase food items for the recipient.
- Card Problems. The card does not work or has been lost or stolen.
- Account Problems. Recipients call to either establish their account balance or report a problem with their balance.
- Program Policy. Recipients seek clarification on applying program policies, or object to program provisions.
- CIP Investigator Complaints. Recipients call to discuss their treatment by a particular investigator.

As complaint categories were not recorded by the state, the frequency of complaints associated with each category is not known.

Recipients that have been disqualified are notified of their right to appeal. If an EBT recipient appeals a decision, they are required to file a petition with the State Circuit Court. Once the petition is filed, the case is heard in court. If a case goes to court, the DSS is represented by someone from the DSS General Counsel.

5. What are the measurable outcomes of the completed investigations, i.e., outcomes, sanctions, claims, expected deterrent value, case backlogs, etc.?

Note: The measurable outcomes involved in completed investigations are based on the dispositions.

From March of 1996 through September of 1997, 80 EBT cases were closed by ADH and 411 by ACA; 444 EBT cases were determined to be "unfounded." Unfounded is used to describe referrals that did not result in sufficient evidence to disqualify. Based on the number of completed ADHs and the previous backlog in the ADH process, due to only one Appeals Examiner hearing CIP cases and having to travel throughout the state, the ADH procedure had constituted a bottleneck in the disposition process. As a result of this bottleneck, in February of 1997, more than 75 recipients suspected of EBT misuse were waiting for hearings to be scheduled. Since June 1997, four Appeals Examiners have been hearing CIP-related cases. The Appeals Examiners are not required to travel to the various offices. Instead, the hearings are conducted by phone with the CIP Investigator and recipient, if in attendance, at a county office. Exhibit 1 shows the number of cases adjudicated and the results of these adjudication's prior to June 1997 and after the implementation of four Appeals Examiners. The exhibit indicates that the number of ADHs performed has increased since the number of Appeals Examiners hearing CIP cases has increased.

Exhibit 1: Closed Cases

Date	Unfounded Cases	ACA	ADH	Savings
03/96 - 5/97	141	249 ¹	33 ²⁽³⁾	\$81,438.30
6/97-9/97	303	162	47	\$113,219.10

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

As of September 1997, 85 of the 491 recipient disqualifications have been for a one-year period, and there has been one permanent disqualification. The Welfare Legislation promulgated in September 1996 increased the shortest disqualification period from six months to 12 months. However, referrals received before September of 1996 were "grandfathered in" and qualified for the six-month disqualification.

¹ Approximately 40% of the recipients signed an ACA form admitting to the facts as presented, while approximately 60% signed an ACA form but did not admit to the facts as presented. Since April 1997, the ACA form no longer gives recipients the latter option. Thus, if the recipient suspected of EBT misuse signs the new ACA form, they admit to the facts as presented.

² Thirty-three ADHs were in favor of the state during the period March 1996 to May 1997, 47 from June 1997 through September 1997 and nine ADHs were resolved in favor of the recipient.

³ Between May 1996 and February of 1997, the Appeals Examiner had 66 requests for hearings, but only 48 hearings were conducted. Of the 48 hearings, 17 cases were still pending in February 1997, 4 were resolved in favor of the recipient, and 27 were resolved in favor of the State. An attorney represented only two recipients.

6. How well have the various state jurisdictions/local offices done in identifying participant and retailer trafficking?

Assumptions: 1. compared with coupon system; 2. success measured by accurate detections; 3. false positives do not include recipients who voluntarily suspend participation without admitting guilt.

The CIP was briefly introduced to each county office via a memo and a training session. The training explained the procedures that an interagency staff member was expected to follow if he/she received a call regarding possible recipient or retailer misuse. Since the extent to which each office was instructed to make changes in their process for handling this information cannot be determined, there is no way to measure each county office success in identifying misuse. However, this information is best measured by investigative regions since a relationship has been established between the CIP Investigator and his/her region, but not necessarily each individual office.

State offices are primarily responsible for recipient integrity while retailer integrity responsibilities are assumed by the United States Department of Agriculture (USDA). However, state offices do support federal agencies in retailer investigations. How well local offices detect recipient and retailer misuse is determined by the number of successfully adjudicated referrals received by each region.

Recipient Detections

During the course of the demonstration, 513 recipient referrals have been received by the DSS from the interagency staff or local offices. Of those 210 have completed the adjudication process. Through September of 1997, approximately 21% of all referrals received and adjudicated have resulted in disqualifications. Exhibit 1 provides a breakdown by investigative regions the number of referrals received and adjudicated through September of 1997 and the percentage resulting in disqualifications.

Exhibit 1: Recipient Referrals

Region/County	Interagency Referrals	Number Disqualified	Percentage Disqualified
Region 1 and 2	79	18	22.8%
Region 3 and 4	378	78	20.6%
Region 5 and 6	56	12	21.4%
Total	513	108	21.05%

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

Retailer Detections

According to FNS, the DSS has identified 195 suspect retailers since the beginning of the CIP through September of 1997 of which 145 were suitable for action. These retailers were identified through recipient referrals. When a retailer is identified, the CIP Coordinator fills out a referral form for the retailer. This referral is sent, along with a

copy of the recipient referral and transaction data, to FNS for their investigation. DSS maintains a log of the retailer referrals they submit to FNS. Although, FNS does not provide information regarding retailer investigations, it does forward DSS quarterly reports listing all disqualified retailers. There are appear to be retailers that are being investigated due to DSS identification of the retailer, and FNS plans to communicate the outcomes to the DSS as soon as they are determined.

7a. Once suspect recipients are identified, how well do local offices follow through on project process and objectives?

Assumption: "local office" means regional investigatory office.

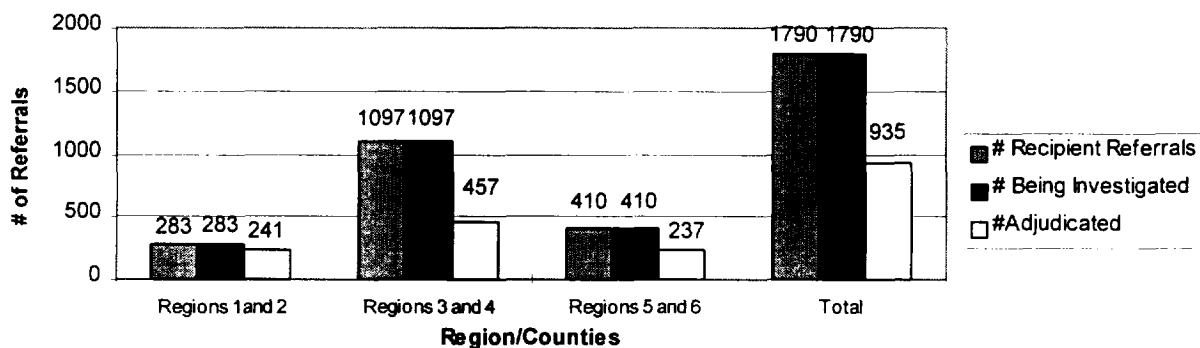
The original objectives of the CIP are identified as being: to identify and investigate possible misuse of benefits; to minimize the fraudulent misuse of the EBT card by the client; and, to ensure integrity of the Food Stamp Program (FSP). Five South Carolina DSS staff members were asked to describe what they consider to be the objectives of the CIP. Each respondent mentioned one or two of the following:

- To determine ways to detect misuse on the EBT card
- To obtain enough evidence to prosecute a recipient of EBT misuse
- To put the integrity back into the FSP

These objectives are consistent with what each employee was trained on for the CIP and are a reflection of what objectives are being upheld. The following discussion demonstrates that the local offices successfully followed through on the CIP process and objectives.

As indicated in Exhibit 1, 1,790 referrals have been received by the DSS from the beginning of the South Carolina CIP demonstration to April of 1997, and to date, 1,790 referrals have been assigned to investigators to begin the investigation process: 935 referrals have had dispositions to date; 444 cases were unfounded and 491 cases were successfully adjudicated. Exhibit 2 contains a breakdown of the number of referrals, investigations and adjudications by region. Exhibit 3 contains the results of the adjudications by region. These numbers contain FNS retailer disqualification referrals as well as those obtained through the community, the DSS Fraud Hotline and interagency staff.

Exhibit 1: Process by Region



Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

Exhibit 2: Results by Region

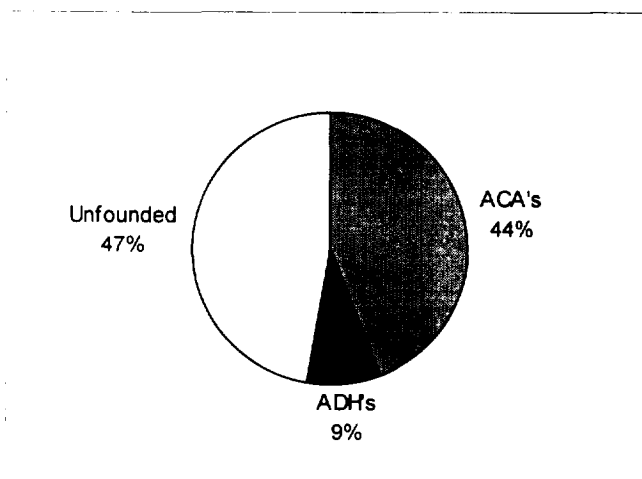
Region/County	# Referrals	# Successfully Adjudicated	Disposition	# Unfounded
Regions 1 and 2	283	71	64 ACA 7 ADH	170
Regions 3 and 4	1097	291	241 ACA 50 ADH	166
Regions 5 and 6	410	129	106 ACA 23 ADH	108

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

Question 1 from this appendix provides a thorough review of the process followed for the detection, investigation and adjudication steps of the CIP. Our evaluation found that although each investigator incorporates their own methods into the investigation process, each individual follows the CIP process completely.

As discussed in Question 1 of this appendix, the CIP Coordinator receives all of the referrals from the DSS Fraud Hotline, the community, FNS, and interagency staff. The CIP Coordinator enters the referrals into the automated referral log and assigns each to the appropriate CIP Investigator based on region. The referral log records the dates the referral is received and assigned. Prior to June 1997, it took from one day to four months for a referral to be assigned to an investigator upon its receipt. This delay was caused by an overload of cases for particular investigators, requiring the CIP Coordinator to hold cases back. To reduce each CIP Investigator's caseload, the CIP Coordinator took on investigative responsibilities in five counties for a short period of time. That CIP Coordinator is now a full-time investigator, having replaced a previous CIP Investigator. The current CIP Coordinator now sends the appropriate CIP Investigators their case files as soon as the information is entered into the automated referral log.

Exhibit 3: Adjudication Results



Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

As seen in Exhibit 3, only 80 (9%) cases have completed the ADH process to date. Since the beginning of the CIP through September of 1997, only 9 cases had been sent through the ADH process and were decided in favor of the recipient. Our evaluation was unable to assess how many ADHs were determined unfounded. Prior to June 1997, the ADH process was the bottleneck in the adjudication phase of the CIP. During this time there was only one Appeals Examiner assigned to CIP related cases, who was required to drive to the various county offices to perform ADHs. Thus

the Appeals Examiner would wait for a few hearings to be scheduled before traveling to a particular field office; since June of 1997, four Appeals Examiners have been hearing CIP cases. Since this change, the CIP Investigators and the recipients are required to travel to the field offices. The Appeals Examiner assigned to the case calls the field office to conduct the hearing via conference call. The four Appeals Examiners take turns conducting the hearings. All pending hearings have been scheduled and heard. Although this new process will have to be evaluated more fully to determine its effectiveness, our evaluation indicates that more ADHs have been performed since the additional Appeals Examiners were included. Prior to June 1997, 33 cases had been processed through an ADH. Since June 1997, 47 cases have been successfully processed. This change in the ADH process appears to be effective. However, the CIP Investigators are concerned about having to travel to the field offices to hear the ADH, as well as about having to be alone with the recipient, without an Appeals Examiner present. Moreover, not all recipients show up for their ADH.

Exhibit 3 also indicates that 491 (44%) of all cases have been successfully adjudicated through the ACA process. This process takes between 12 calendar days and 8 months from the date the CIP Coordinator receives the referral to the date the disposition is determined. This broad time span is the result of lengthy investigations. Sometimes investigators will track a referral as long as possible until transaction profiles prove misuse. CIP Investigators stated that they are not willing to just drop a case after a short period of time; they hope that the case will lead to a disqualification and savings for South Carolina. The ACA process appears to be both effective and efficient. The process consists of the review board verifying signed ACAs and providing a disposition that same day. The review board has only overruled one ACA, in an instance where they did not feel that the recipient had been able to fully understand what he/she was signing. Of the adjudicated cases, 47 percent have been unfounded.

7b. How do these compare to levels of suspected retailer fraud by geographic region?

Once a retailer suspected of EBT misuse by the USDA, the cases are reviewed by the Southeastern Regional Office (SERO) and investigated by federal program offices and law enforcement officials. Depending upon the case, the agencies involved in an investigation may include the USDA Office of Inspector General, the USDA/FNS/Program Compliance Branch, and the Secret Service.

In 1996, FNS in South Carolina disqualified 19 retailers for a specified period of time and 36 retailers permanently. Nonpermanent disqualifications were the result of in-house (within FNS) investigations. Eighteen of these disqualifications were for a period of three years and one was for a period of six months. Figure 1 is a breakdown of the number of permanent or temporary disqualifications divided by South Carolina CIP regions.

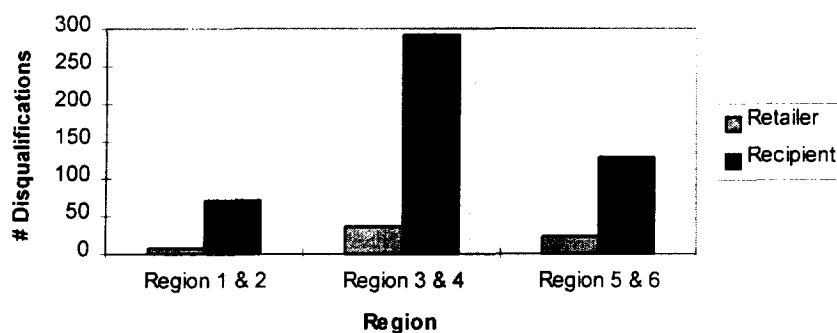
Exhibit 1: Retailer Disqualification's during the CIP Demonstration

Region	# Permanent Disqualification	# Temporary Disqualification's	Total
Region 1	3	2	5
Region 2	2	1	3
Region 3	11	5	16
Region 4	25	5	30
Region 5	8	1	9
Region 6	10	6	16
Total	36	19	55

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

- * Region 1 includes the following counties: Cherokee, York, Spartansburg, Union, Chester, Lancaster, Fairfield
- * Region 2 includes the following counties: Greenville, Pickens, Oconee, Anderson, Laurens, Newberry, Abbeville, Greenwood, McCormick, Edgefield, Saluda
- * Region 3 includes the following counties: Kershaw, Lee, Richland, Sumter, Calhoun, Clarendon
- * Region 4 includes the following counties: Chesterfield, Marlboro, Darlington, Dillon, Florence, Marion, Horry, Williamsburg, Georgetown
- * Region 5 includes the following counties: Lexington, Aiken, Orangeburg, Barnwell, Bamber, Allendale
- * Region 6 includes the following counties: Berkeley, Dorchester, Colleton, Charleston, Hampton, Jasper, Beaufort

Exhibit 2: Retailer and Recipient Disqualifications



Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

Exhibit 2 in Question 7a breaks down the number of recipient referrals received and the outcome of each referral by investigative regions. Exhibit 2 compares the number of recipient and

retailer disqualifications by investigative region. As the figure illustrates, in regions where there is a higher number of retailer disqualifications, the number of recipient disqualifications is also higher. There is not a consistent ratio of retailer disqualifications to recipient disqualifications. However, it can be extrapolated that for every one retailer disqualification in Regions 1 and 2 there have been 8.85 recipient disqualifications, in Regions 3 and 4, 8.08 recipient disqualifications, and in Regions 5 and 6, there have been 5.16 recipient disqualifications. FNS Retailer Disqualifications account for 40 of the 241 recipient disqualifications in Regions 1 and 2, for 167 of the 457 recipient disqualifications in Regions 3 and 4, and 92 of the 237 recipient disqualifications in regions 5 and 6. With these numbers it can be assumed that the relationship between retailer and recipient disqualification is significant since the majority of recipient disqualifications are based on the retailer disqualifications in those regions.

8. What is the level of effort involved in detecting, investigating and prosecuting a recipient?

Level of effort is typically determined by the quantity of resources necessary to accomplish an objective. In the South Carolina pilot demonstration, the automated referral log and the state's accounting system, which record time and expense information, reflect a referral's key administrative dates, such as when the referral was assigned and when a disposition was achieved. Specifically, the automated referral log and the state's accounting system record the case file's referral receipt date, the name of the recipient, the date of its assignment to an investigator, the name of the assigned investigator, the disposition date, and gross quarterly expenditures. However, the actual time and labor devoted to detecting, investigating, and adjudicating a case file are not recorded.

The detection phase of the CIP involves processing referrals received from FNS retailer disqualifications, the community, the Fraud Hotline and interagency offices. This process requires the individual who receives the referral to fill out a referral form and submit it to DSS headquarters. At the DSS, the CIP Coordinator reviews the referral and assigns it to the appropriate CIP Investigator. This process should only take a matter of days.

Although the referral investigation can take several months, the level of effort may only encompass several days. Investigating a referral involves gathering transaction data, possibly visiting the store where the misuse occurred, sending the recipient a letter with the ACA, and speaking with the recipients. Because these steps are dependent upon each other, a case file may lay idle between stages, causing the investigation to take several months. It should be noted that each case is different and that the amount of time spent depends upon the amount of evidence available.

A case file may lay idle in the adjudication phase of the CIP. As discussed in Question 1, the adjudication phase may take 90 days or more to either 1) review an ACA, send it through the Claims Review Board, and notify the recipient, or 2) schedule a hearing, hear a case, have the Hearing Committee review the decision, and notify the recipient of the decision.

A secondary measure was made by interviewing investigators and asking them to rank the difficulty and percentage of time devoted to each integrity stage. The results were mixed. As shown in Exhibit 1, each investigator, for different reasons, experienced varying levels of difficulty at each stage.

Exhibit 1: Difficulty Experienced by Investigators

Integrity Stage	Investigator	Difficulty		Reason
		1=most	3=least	
Referral	1	3		Access and review of data not difficult
	2	3		Referrals received from CIP Coordinator—little sleuthing required
	3	1		Difficult because oftentimes community referrals do not have sufficient information
Investigation	1	2		Difficult due to travel and recipients skipping scheduled meetings
	2	1		Difficulty in collecting supporting evidence
	3	2		Community referrals are of low quality, often lacking key information
Adjudication	1	1		Largely pro-forma process unless an attorney is representing a recipient
	2	2		Document copying and distribution is time consuming
	3	3		Least level of effort but source of most delay

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

The summarized results are shown rank-ordered in Exhibit 2. Investigative activities were cited as being the most difficult, while detection was described as the least difficult.

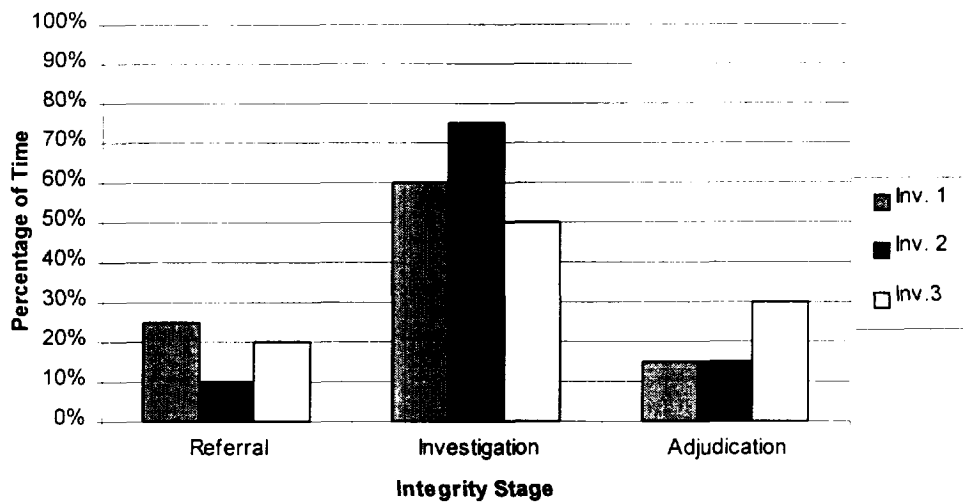
Exhibit 2: Rank-Ordered Difficulty by Integrity Stage

1 (most difficult)	2	3 (least difficult)
Investigation	Adjudication	Referral

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

Similar rankings were found when investigators were asked about the percentage of their time spent on each integrity stage. Exhibit 3 shows the approximate percentage of time spent by ranking each investigator in each integrity stage. Exhibit 4 summarizes Exhibit 3 by percentage of time spent per integrity stage.

Exhibit 3: Percentage of Time per Integrity Stage



Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

Upon rank-ordering, the results provide the same ranking as the level of difficulty. Each phase will be discussed below in the order of level of difficulty.

Exhibit 4: Ranking of Time Spent in Each Integrity Stage

1 (most time consuming)	2	3 (least time consuming)
Investigation	Adjudication	Referral

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

Investigations tended to require the most effort, based on both difficulty and time measurements. This is due in part to the need for investigators to travel to various offices, and the activities necessary to gather sufficient evidence. The CIP Coordinator is only able to provide each investigator with three-months-worth of transaction data and possibly the name of the retailer. This often requires the investigator to gather more data by reviewing current months of transaction data and visiting retailers to verify stock. Frequent “no-shows,” where recipients skip meetings, add to time delays and frustration, especially when an investigator drives several hours only to have the recipient cancel or skip the appointment. In the latter case, the opportunity cost to the state can be large because the investigator foregoes the preparation of several other cases and incurs expenses without generating a return.

Adjudication activities largely represent procedural tasks such as copying and distributing case file information, and participating in the hearing process. This may involve travel to a regional office to meet with the recipient during a phone hearing. From an investigator’s perspective, this stage requires a moderate level of effort but is the source of the most delays when an ADH is involved.

Referral activities require the least amount of time. Since the CIS is not yet being utilized as a recipient detection tool, the DSS does not rely upon internal detection procedures to generate most referrals. Instead, referrals originate mostly from the community and FNS retailer disqualification data. The state office's involvement in the referral (detection) phase of the CIP is to submit referrals based on calls their office may receive from the community. Currently, the state's detection activities are nominal; however, they are expected to expand once the CIS tool is able to flag and weight possible recipient misuse by specified profiles. When operational, the CIS system will likely become a primary referral source for cases.

9. What is the time span between a fraudulent transaction and subsequent detection? Detection and investigation? Investigation and disqualification?

The time span between a fraudulent transaction and subsequent detection cannot be determined. A recipient may be trafficking for several months before one transaction is detected. Once the CIS portion of SAM is fully implemented and used as a detection tool, suspicious transactions may be detected when a report is run. The CIS will flag all suspicious recipient transactions based on a chosen profile (e.g., rapid and repeated, high-dollar transactions). Although one suspicious transaction may not lead to an investigation, a pattern of suspicious transactions will. This system will enable the CIP to detect misuse within months of the transaction. It should be noted, however, that the CIS' ability to detect recipient misuse is only as good as the profile that is selected. This requires the CIP staff to continuously be aware of possible new patterns of misuse.

The time span between the referral receipt and investigation is one day. Once a referral is received, either by the community, the Fraud Hotline or the interagency staff, the CIP Coordinator enters the data into the automated referral log and assigns the case to a CIP Investigator. This process is completed within one day of referral receipt by the CIP Coordinator.

The time span between the investigation and adjudication of an EBT recipient ranges from 12 days to 13.5 months. The investigation begins on the day the CIP Coordinator assigns the case to the CIP Investigator. The CIP Investigator may not begin working on the case immediately, depending on his/her workload. The date of an adjudication is the disposition date, the date the ADH or ACA is complete, or the date the case is determined unfounded. In our evaluation, BAH asked several members of the DSS staff why there was such variance in the time spans for the investigation and adjudication phases. The main response was that when a referral is received and not enough information is available to disqualify the recipient, the CIP Investigator holds the case for several months. The CIP Investigator checks transaction data periodically and either determines the case to be unfounded or continues to hold the case. The time span also varies depending on the adjudication process. Although ACAs are more common than ADHs, the ADH process can take considerably more time, thereby increasing the average amount of time spent on them. Approximately 30 days are needed to schedule a hearing, another 30 days or more until the meeting is held, and up to another 30 days until the case's disposition is determined.

10. Where is the most value in each stage of the CIP process?

The CIP Investigators, the Supervisor of the Food Stamp Policy Unit, and the CIP Coordinator were asked which step provides the most and least value in each stage of the CIP process. The following discussion represents a consolidated view of their responses.

Detection

Respondents considered the most valuable steps in the detection process to be reviewing transaction histories on Citibank's database and having the ability to identify the recipient's EBT card number through the CHIPS.

The interviewees considered each step of the detection process important. However, one interviewee noted that some referrals are too vague and lack sufficient detail to initiate an investigation.

Investigation

The respondents considered several valuable steps in the investigation process: 1) making contact with the EBT recipient, 2) looking at the recipient's case file and talking to the CEW, 3) viewing the transaction data, and 4) receiving referrals.

The initial meeting between the EBT recipient and the CIP Investigator helps the latter decide whether or not to pursue the case. Soliciting a client's possible shopping patterns, personal preferences, and environmental situation helps determine the EBT recipient's guilt or innocence. Case files are useful in determining possible reasons for misuse, or whether any other referrals have been made against the EBT recipient.

The interviewees consider each step of the investigation process to be important to the overall CIP process. However, the fact that very few EBT recipients attend their scheduled interviews wastes a lot of investigator time.

Adjudication

When asked which step in the adjudication process is the most valuable, the following answers were provided:

- The ACA and ADH processes
- The Claims Review Board
- Transaction data pattern matching.

Signed ACAs and requests for ADHs are first sent to the Claims Review Board. Once the investigator hears back from the Claims Review Board, the recipient is reflected as disqualified on the CHIPS. The review process is valuable to the adjudication process in that it surfaces issues that help the investigators sharpen their investigative skills.

Transaction data patterns simplify the adjudication process. If an EBT recipient fits into a determined 'profile,' it is more likely that he/she will be disqualified from the FSP.

The interviewees considered that each step of the adjudication process adds value to the overall CIP process. One interviewee noted, however, that although she favors the Claims Review Board, it could be eliminated with little impact on the adjudication process. Another interviewee stated that the Claims Review Board's consideration of ACAs results in wasted time since only one ACA has been overturned since the project's inception. In this instance, the review board found that the EBT recipient did not completely understand the content of the ACA when he/she signed it.

11a. What savings to the FSP result when abusive participants are removed?

Savings that result when a recipient is disqualified from the FSP program result in short- and long-term savings. Short-term savings include actual dollar amounts saved per recipient per investigation. Long-term savings encompass issues related to necessary resources within the DSS.

Short-Term Savings

This demonstration started prior to the implementation of the Welfare Reform Act, which changed the length of time for each disqualification. Now, federal regulations require that disqualifications be for 12 months, 24 months, or permanent. Cases under investigation prior to the Welfare Reform Act, still fall under the previous disqualification time frames.

When an abusive participant is removed from the FSP, the disqualification is for either six months or 12 months, or it is permanent. To date, most disqualifications have been for six months. Although a head of household may misuse all benefits for his/her family, when he/she is disqualified, benefits are decreased by \$66.21 per month, the monthly benefits amount for one individual. If the recipient is the only individual on the FS plan, his/her benefits are stopped completely. This translates into a benefits reduction of \$397.26 per recipient, per six-month disqualification. There have been 491 disqualifications to date. Exhibit 1 shows the number of recipients disqualified and the resulting savings by year.

Exhibit 1: Recipients Disqualified Resulting in Savings by Year

Year Cases Were Identified	# Recipients Disqualified	Total Savings
1995	36	\$14,301.36
1996	145	\$57,602.72
1997	310 ¹	\$123,150.60
Total	491	\$195,054.70

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

¹ The number of successful disqualifications in 1997 was calculated through the automated referral log. This number contains all referrals adjudicated in 1997, as well as cases adjudicated without an adjudication date recorded. Our evaluation team assumed that the adjudicated cases without dates were the result of a rapid update of the log in order to deliver it to our team timely.

11b. How do these savings compare with the costs incurred in terms of level of effort expended?

Based on the number of adjudications over the course of the project, and taking the implementation stage into account, it can be extrapolated, based on the average number of monthly disqualifications, that approximately 275 recipients will be disqualified each year through the CIP. This number of disqualifications will result in savings of \$218,493 for the program, based on 12 month disqualifications. The total savings for these disqualifications will most likely not be realized within one calendar year. These twelve month disqualifications will most likely appear within a two year period. However, as the program stabilizes and the number of disqualifications become constant, this savings amount could be expected annually.

Savings to the CIP result from the efforts of four full-time CIP employees. On average, the efforts of each CIP Investigator and the CIP Coordinator resulted in an annual savings of approximately \$100,000 to the FSP, based on 6 month disqualifications. Therefore, if each CIP employee's salary and annual other direct costs (ODC) are less than the average savings, the CIP will produce overall savings. Exhibit 1 provides a breakdown of the cost expended for the four staff members and the resultant savings for each year of the CIP to date. As indicated in Question 13, the cost for the CIP is limited to the three CIP Investigators and the CIP Coordinator. The efforts of the Claims Review Board, the Hearings Committee and the Appeals Examiners are not calculated into the costs associated with the CIP process.

Exhibit 1: Resulting Savings and Costs by Year

Year Cases Were Identified	No. Recipients Disqualified	Total Savings	Cost
1995	36	\$14,301.36	\$0
1996	145	\$57,602.72	\$114,645
1997	310	\$123,150.60	\$117,922
Total	491	\$195,054.70	\$232,567

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

12. How do implementation/operational costs compare under the traditional recipient-monitoring approach vs. the state initiative?

Assumption: "traditional recipient monitoring" means integrity activities conducted while the food stamp coupon system was in place.

Cost comparisons could not be made as there were no established, consistent recipient monitoring procedures conducted in the food stamp coupon system.

In the coupon system, there were no formal client-monitoring process or procedures. As a result, there was no specific budget allocation to support monitoring tasks. In contrast, EBT transaction data now makes it possible to perform more successful monitoring. The CIP has established goals and procedures, managerial emphasis, and funding to support those goals and procedures.

In 1996, \$114,645 was spent on CIP-related activities. Through September of 1997, \$117,922 had been spent. These costs include salaries for the three CIP Investigators and the CIP Coordinator, and charges for data-gathering, telephone, travel, equipment, and supplies.

13. How did South Carolina distinguish project costs from regular program-management costs?

Assumptions: 1. "project" refers to the CIP; 2. "program management" refers to all other activities.

The South Carolina Human Service's Budgets and Allocation Division established a specific cost center for the CIP pilot. The CIP Coordinator and the CIP Investigators—those directly engaged in CIP program integrity activities—charge to this cost center. The Supervisor of the Food Stamp Policy Unit, Acting Director—Division of Policy & Planning, and the CIP Supervisors provide management support to the CIP. However, as indicated by survey responses, the percentage of time these individuals each spend on the CIP is relatively small compared with their other responsibilities. As such, they do not charge to the CIP cost center. The Appeals Examiners and Claims Review Board provide support in the adjudication phase of the CIP, however they do not charge to the CIP cost center either. The categories tracked are: wage and benefit expenditures, travel and lodging-related expenses, equipment expenses, and burdens or indirect costs.

14. Based on this demonstration, what are the advantages/disadvantages of the South Carolina system of EBT recipient integrity monitoring compared with the coupon system?

Note: The following response does not take into account the potential savings earned by the CIP.

Advantages

EBT provides South Carolina with transaction data for each food stamp purchase made. This transaction data has enabled South Carolina to establish a client-monitoring program based on the ability of DSS to track each transaction. EBT has allowed the South Carolina DSS to establish objectives and goals towards increasing integrity into the FSP. EBT has also enabled the DSS to meet these objectives and goals through the use of the EBT transaction data that is provided by the SAM system, CHIPS and Citibank's EBT system. The transaction data provided by these systems allows the South Carolina DSS to establish a specified process to meet the project's goal. EBT transaction data is presently used to verify possible misuse and as evidence to disqualify a recipient.

In contrast, prior to the CIP, virtually no monitoring was performed. The coupon system was similar to providing the recipients with cash. Prior to EBT, there was no means of tracking purchases, nor was there a formal process for monitoring recipients for misuse. Recipients were disqualified based on criminal-related circumstances and claims were collected for over-issuance cases.

Disadvantages

As part of the CIP, the DSS hired 4 individuals specifically to support the program. These individuals are fully funded by the FNS grant for the period of the demonstration. However, once the demonstration ends, the responsibility of those four individuals will rest on the South Carolina DSS with 50% available funding from FNS. Moreover, the CIS portion of the SAM tool is not fully operational for recipient monitoring, and the cost of updating and maintaining this tool would also be the responsibility of South Carolina DSS once the demonstration is complete. The increase in costs to the South Carolina DSS for this program could be substantial, and to date there has been no decision as to how the funds saved by the program will be allocated.

The CIP has increased the number of case files being processed through the Appeals Unit. This increase may cause a potential need for more resources for the adjudication phase or a possible change in the process. Prior to June 1997, there was only one Appeals Examiner hearing CIP-related cases. This Appeals Examiner was required to drive to the various county offices across the state to hear each case. Presently, there are four Appeals examiners hearing these cases and the hearings are via conference call with the investigator and the recipient at the recipient's local office. This change resulted from the increase in referrals filtering through the Appeals Unit. The impact of this change cannot yet be determined.

15. Does EBT make recipient integrity monitoring by states easier and/or more effective?

Assumptions: 1. "easier" is measured by man hours expended per function; 2. "easier" is compared to the coupon system.

EBT has made recipient integrity monitoring much easier than it was during the coupon system. This is due to the fact that transaction data has enabled DSS to monitor recipient's shopping patterns and the data can be used as a means of verifying suspected misuse. BAH would have liked to compare the cost and time associated with recipient monitoring prior to EBT versus with EBT. However, this was not feasible since there was no monitoring system prior to EBT.

Prior to the CIP, virtually no monitoring was performed. The coupon system was similar to providing the recipient with cash; there was no expedient means of tracking food stamps once they were issued. Consequently, detection was the most difficult stage in the recipient-integrity-monitoring process. One or two misuse referrals were received each month. Referrals were sent to CEWs, who then discussed the situation with the food stamp recipient, advising them not to misuse food stamp benefits. In the pre-EBT system, there was no formal detection, investigation or adjudication process for misuse. Comparatively few recipient disqualifications or suspensions from the FSP resulted with the pre-EBT system.

16. How do the post-implementation food stamp recipient data elements (the number of recipients, benefit level, type of offense, monitoring activity) compare to pre-implementation data?

Assumptions: 1. "implementation" refers to CIP implementation; 2. question refers to misusing data elements only.

Issue: Full pre-implementation data was not available.

Pre-implementation and post-implementation data elements were gathered through interviews with DSS and the review of various documentation.

Prior to EBT implementation, there was no process for monitoring recipient behavior. If a complaint was submitted to the DSS regarding a recipient misusing their benefits, the DSS would transfer the case to a caseworker. The caseworker would then discuss the case with the client, asking him/her if he/she had committed the violation. The objective of this meeting was not to disqualify the recipient, but to counsel him/her. Case workers did not usually have any evidence against the recipients suspected of food stamp misuse. Such evidence was limited to situations in which law enforcement arrested someone and found large quantities of food stamps on the defendant. In these cases, the DSS was able to trace the serial numbers on the food stamps to the respective recipients. The South Carolina Department of Investigation handled this type of case since they were able to represent DSS in court.

EBT implementation has enabled the DSS to trace EBT misuse through transaction data. Transaction data identifies rapid and repeated transactions, high-dollar transactions, and other suspicious transaction patterns. Examples of EBT misuse include: selling EBT cards and reporting them stolen, setting up accounts at various grocery stores and paying them off at the end of the month with an EBT card, and using the EBT card to purchase ineligible items and having the retailer mask the transaction. Exhibit 1 breaks down other data elements for pre- and post- EBT implementation.

Exhibit 1: Comparison of Pre- and Post- EBT Integrity Data

	No. of Recipients	Avg. Benefit Amount	No. of Referrals	Cases Investigated	Disqualifications	Savings
Pre- EBT (94)	388,045	\$65.59/month	305 ¹	260 ²	104	\$40,928.16
Post-EBT (96)	358,606	\$66.21/month	692	692	145	\$56,602.72 ³

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

¹ 1994 total number of referrals is an estimate. This number includes overissuance cases as well as potential misuse cases. There is not way to determine the number of misuse referrals specifically.

² The total number of investigations include all cases where a case worker contacted or attempted contact with the recipient, as well as cases investigated and adjudicated by other means.

³ In 1996 the CIP was considered to still be in the implementation stage of the program. This amount is not a reflection of expected savings. Savings are expected to increase based on the use of the CIS as a detection tool.

17. Are some investigative approaches resulting in a significantly more positive investigations?

Each CIP Investigator uses a mix of common and unique approaches to investigate recipients. Prior professional experience and evidence-gathering techniques influence the investigative approaches used.

According to the investigators, the most positive investigations result from the following techniques:

- tracking the EBT transaction histories of the recipients; rapid, repeated transactions are the easiest to prove
- face-to-face meeting with the recipient suspected of EBT misuse
- questioning the client versus accusing the client
- discussing client transaction data that breaks down the time, location and amount of each purchase.

In terms of detection, some investigators go into the stores and look at retailers' stock to determine whether a recipient could legitimately make high-dollar purchases in the store. Also, one investigator noted that she likes to look at transaction records to try and discover new misuse patterns. In terms of investigation, investigators now bring in the transaction records to show the client once they meet with them instead of sending the transaction record to the recipient with the waver form, so as to prevent recipients from fabricating reasons for suspicious data. Additionally, some investigators take statements over the phone, whereas others only take statements from the recipients in person.

The investigation techniques used for each referral are documented in the recipient case files. Each case file includes a *Work Activity and Contact* form which documents the parties involved in the meeting, and a summary of the case file. Any face-to-face contact between an investigator and a recipient is recorded on the *Statement* form, which includes the time, place, date, evidence presented, trafficking patterns and recipient responses.

Other causal factors may explain differences in investigator success. Possible factors include:

- Referral Source—FNS retailer referrals contain a higher quality of evidence, as they usually include transaction data that has already been proven to involve trafficking since the retailer has already been disqualified.
- Regional Demographics—It may be more efficient to investigate cases in an urban environment where there is a greater density of stores and recipients than in rural areas. Evidence may simply be easier to collect when localized

in a smaller, more concentrated area. Investigators responsible for rural counties may spend more time traveling, which would affect the number of cases they can adjudicate.

- Investigator Personality—As already mentioned, prior professional experience and evidence-gathering techniques influence the investigative approaches used. In addition to experience and skills, each investigator brings their own unique ability to the project. This aspect of the demonstration project is not under evaluation, but it is important to recognize that each investigator has different knowledge, skills, and abilities.

18. What type of training program was provided for new recipients?

Issue: evaluation of EBT training is beyond the immediate scope of the task; existing data will be collected to enhance understanding.

When someone applies for benefits, they fill out an application, and a training date is set up for three days hence at a county office. Counties have up to 20 recipients who attend each training session. Originally, Lockheed Martin provided the training, but they have since trained the county staff to do it.

At the training session, the recipients are welcomed, a 14-minute video is presented, and an addendum is provided to the clients as a supplement to the video. The addendum, created in early 1995, contains information about EBT misuse. CEWs and EBT coordinators are told to emphasize the addendum. At the training session, the client practices using a "dummy" EBT card at a demonstration POS, is issued an EBT card, and chooses a Personal Identification Number (PIN). Each recipient's demographic information is checked. Upon completion of the training, the client signs a card receipt form which contains information on EBT misuse, and a liability and penalty warning. The PIN selection person or EBT coordinator also signs the card receipt form, and gives a copy to the recipient. The recipients are told when they should expect to be able to begin using their card. The day of the month corresponds to the last digit of their card number. After training, recipients receive a fact card, along with a question-and-answer pamphlet.

The 14-minute video emphasizes keeping the EBT card in a safe place, storing the PIN in a different place, and not giving the PIN to anyone else unless they are an authorized representative. It explains what to do if the EBT card is lost, damaged or stolen, how to check the EBT balance, and provides the Hotline number. The video further explains that recipients cannot get money back if they return food. Misuse is not presently discussed in this video; however, a revision is expected which will include this information.

Authorized representatives are listed on the CHIPS. Authorized representatives are required to go through training as well. In contrast, in the pre-EBT system, anyone could pick up a recipient's food stamps for them, although this violated FSP Regulation 274.5. If a recipient moves to another state, their EBT balance is converted into coupons.

In January of 1997, a new recipient card receipt form went into effect. The recipient signature was moved to the bottom of the form, below the warnings and penalties about misuse. The signature therefore attests to the recipient's knowledge of the consequences of misuse. In addition, three new statements were added to the card receipt form:

- “I understand the penalties for giving false or incomplete statements on EBT cards reported as lost, damaged or stolen.”
- “I give permission to the South Carolina DSS or its agent to release to an authorized retailer the available balance in my EBT account. I understand that this information will be released only if non-sufficient funds in the account caused a purchase transaction to be rejected.”
- “I understand that misuse of my EBT card may cause me to lose my Food Stamp Benefits.”

Within the next year, Temporary Aid to Needy Families benefits will be included on the EBT card. The video will need to be redone to reflect the changes. At this time, information about EBT misuse will be added to the video.

19a. Did training methods vary from one office/county to another?

Assumption: "training" refers to recipient training.

Training sessions take place in all 46 counties. There are approximately 58 training locations because some counties have satellite offices. Most of the locations hold multiple training sessions each day. The training program is the same throughout the counties. However, certain interviewees doubted that the emphasis on misuse is consistent among counties.

19b. Did recipient behavior vary with training?

Training sessions do not vary by office/county; however, the emphasis applied regarding misuse and the quality of the trainers may vary. Each office/county training session is composed of a standard training video, an addendum to the video, assignment of a PIN, and practice with a "dummy" EBT card on a demonstration POS (again, the emphasis of the training sessions may vary by office/county). Consequently, variance in recipient behavior due to training is assumed to not be significant.

20. What type of retailer referral and follow-up program did South Carolina utilize and did it vary between state field offices?

Assumption: retailer referrals coordinated with FNS SERO for review by OIG.

Retailer referrals and follow-up are not a direct responsibility of the DSS. However, the state does accommodate FNS retailer investigations by supplying priority information referrals. The DSS filters and manages referrals so as not to affect retailer investigations. The DSS also submits retailer referrals to FNS, and according to FNS, has submitted 195 retailer referrals since the beginning of the demonstration through September 1997, with 145 being suitable for action. The DSS receives these referrals through recipient referrals or direct retailer referrals submitted to them. The referral is sent to the CIP Coordinator, who makes copies of it and sends the original referral to FNS with recipient transaction data. The retailer name is kept in a log for DSS's records.

The DSS does not conduct investigations on retailers suspected of fraud. It has expressed the desire to receive status on retailers they submitted to FNS for investigation. FNS sends the DSS a copy of a list containing all disqualified retailers. To date, the DSS has received feedback on five retailers they identified for potential EBT misuse. Each of these disqualifications was communicated by FNS to the DSS via a monthly report. One of the disqualifications was directly communicated to the DSS because it was the direct result of information supplied by the DSS. FNS also sends the DSS client referrals for investigation from the FNS retailer disqualification process.

21. If so, how did it vary?

As indicated in Question 20, the process for handling retailer referrals is consistent for all state field offices. Each CEW notifies their investigator of any retailer misuse. The investigator notifies the CIP Coordinator who, in turn, notifies FNS, in writing. If the referral is made directly to the DSS via the Hotline or other means, the same process is followed. The CIP Coordinator adds the retailer name to the DSS log and submits a retailer referral to FNS for their investigation. The DSS does not have a standard procedure for following up on retailer referrals.

22. What, if any, procedures did South Carolina use to investigate the past record of applicants to certification (i.e., participation record, work history, disqualification record, criminal record, etc.)?

BAH interviewed nine CEWs from five local offices regarding the eligibility process and the information that is required of applicants to the FSP. The respondents were asked questions regarding the process used to approve applicants for the FSP, the types of documentation required from applicants, background information obtained on each applicant, and the types of systems used to verify the information received.

The eligibility approval process was described as a four-step approach:

1. The individual wishing to receive food stamp benefits applies for eligibility by submitting an application.
2. A CEW conducts a face-to-face interview with the applicant.
3. The application is processed and the CEW determines the applicant's eligibility and benefit amount.
4. If the applicant is determined to be eligible, the CEW notifies the applicant of his/her eligibility and benefit amount. Benefits are issued within one week.

When an individual submits an application for food stamp eligibility, documentation is required to verify some of the information contained on the application. This documentation includes a social security card and a driver's license or some other type of photo identification. The CEWs type the individual's social security number into the CHIPS to ensure that the individual associated with the social security number is not already receiving benefits and that the number belongs to the applicant.

Several of the CEWs noted various items that they request from the applicant and ways they verify the information. The items requested are not consistent among CEWs. Documentation that may be requested includes utility bills, a court order showing child support, bank account information, proof of property (e.g., mortgage), and any earned income or salary information (e.g., U.S. Veteran or retirement information).

CEWs may verify an individual's information through several outlets. The IEVS system verifies the applicant's identity, residency, and wages, identifies whether the applicant is receiving the energy assistance program, and contains a national disqualification screen providing information regarding previous disqualifications for that applicant. The Employment Security Commission produces a wage match and the applicant's work history. One CEW stated that he/she checks the work history, credit history, medical records (physical and mental), household composition, previous benefits received, and previous disqualifications. The other interviewees did not check credit or medical history. Criminal history was not checked by any of the interviewees in the evaluation. DSS does not have access to the National Crime Information Center (NCIC), which contains felony warrants

and conviction information, because DSS staff do not hold the proper security clearances to access this information.

23. What other activities are being used to control for potential fraud and abuse on the part of participants, retailers, and third parties?

Assumption: "other activities" are any activities, besides CIP activities, being conducted by the state or FNS.

The following activities are used to control for potential fraud and abuse on the part of participants:

- EBT-recipient training sessions take place in all 46 counties where EBT cards are issued (see Question 18).
- A poster campaign is being designed for grocery stores and DSS offices. Its aim is to increase the awareness of EBT recipients and customers of the EBT misuse problem.
- Warnings about misusing the EBT card and penalties associated with that misuse have been added to the eligibility process and recipients must sign a statement attesting to their responsibilities.
- All EBT coordinators receive a copy of the Operations Handbook, as does the Eligibility staff for each county.

The following activities are used to control for potential fraud and abuse on the part of retailers:

- FNS conducts Grocery Education meetings across the State. The meeting provides retailers with an understanding of the FSP objectives, relevant regulations and guidelines. Retailers are required to bring an application, a picture of their store, and their store license to the meeting. Retailers without an "agreement" are required to attend a Grocery Education Meeting whereas those with an "agreement" are not. Retailers with an "agreement" include grocery store chains which have 11 or more stores. These retailers provide their own approved training.

As part of actions related to third parties, DSS has received calls regarding recipients who sell their EBT cards to the general public. It is usually difficult, if not impossible to identify the person who bought the EBT card. This person is usually not prosecuted, as this would not be cost-effective.

24. How do these results compare from one geographic region to another?

Assumption: results are interpreted to mean prevention activities as indicated by the context of Question 23.

Each region has incorporated the same activities to deter participants and retailers from participating in EBT misuse. Nevertheless, it cannot be assumed that all activities are implemented with the same emphasis. As discussed in Question 23, the activities include training recipients and retailers about implications of EBT misuse. Other activities include plans for a poster campaign. Though all counties are to follow the same prevention activities, each county's success in implementing these procedures was not evaluated as it was beyond the scope of the study.

25. What level of coordination/cooperation takes place between the state and field offices?

CIP policies are communicated via the recipient claims manual and the FSP eligibility manual. If a new policy is implemented, a manual revision is performed and is communicated through a directive memorandum. Directive memorandums are distributed to all directors and staff. Since the CIP is still in its implementation and demonstration stages, the DSS has been adamant about communicating through these established channels.

The high level of communication between the state and the field offices is demonstrated in the following tables, which describe with whom state personnel communicate at the field offices and the purpose of the communication.

The CIP Coordinator interacts with EBT Program coordinators several times per month for administrative purposes.

Exhibit 1: CIP Coordinator

CIP Coordinator:	
With Whom They Communicate	<ul style="list-style-type: none">• EBT Program coordinators
Purpose of Communication	<ul style="list-style-type: none">• To arrange for office space• To obtain the 1695 paperwork

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

The CIP investigators interact with the field offices in counties with high levels of EBT misuse more frequently than in those with low levels of EBT misuse.

Exhibit 2: CIP Investigators

CIP Investigator 1:	
With Whom They Communicate	<ul style="list-style-type: none">• EBT Coordinator• Food Stamp Supervisor• Beneficiaries
Purpose of Communication	<ul style="list-style-type: none">• To arrange for office space• To obtain case files• To obtain the 1695 form from the EBT Coordinator• To find out more information on a retailer suspected of misuse• For help in identifying multi-card replacement suspects• To discuss a client with a case worker

CIP Investigator 2:	
With Whom They Communicate	<ul style="list-style-type: none">• Recipient Claims Workers• EBT Coordinators
Purpose of Communication	<ul style="list-style-type: none">• To arrange for office space• To obtain case records• To speak to case workers• To eliminate discrepancies between CHIPS and the case records• To obtain copies of prior ACAs and ADHs

CIP Investigator 3:	
With Whom They Communicate	<ul style="list-style-type: none"> • Depends on the county • Food Stamp Supervisor • Program Coordinator • Administrative Assistant • EBT Coordinator
Purpose of Communication	<ul style="list-style-type: none"> • To arrange for office space • To inform a case worker of disqualified recipients • To send a disqualification notice to the CEW at the regional office • To obtain 1695 receipts, which show that the EBT recipient watched the training video

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

Although the supervisors have a limited role in the CIP, they interact with the field offices for training purposes and to distribute reports and memos.

Exhibit 3: Supervisor, Food Stamp Policy Unit

Supervisor, Food Stamp Policy Unit:	
With Whom They Communicate	<ul style="list-style-type: none"> • County Directors • CEWs
Purpose of Communication	<ul style="list-style-type: none"> • To send out CIP status reports to the County Directors biannually • To send directive memos to the counties • To send quarterly reports to the CEWs • To train CEWs every quarter • Is responsible for the claims program

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

The CIP supervisors are not directly involved with the CIP. Their responsibilities encompass administrative management of the CIP investigators. Interaction with the CIP Coordinator is infrequent; his/her purpose is to update status reports and coordinate clients' migration between CIP supervisory jurisdictions.

Exhibit 4: CIP Supervisors

CIP Supervisor 1:	
With Whom They Communicate	<ul style="list-style-type: none"> • County Offices (e.g., within Supervisor's region)
Purpose of Communication	<ul style="list-style-type: none"> • To explain the CIP process and what is needed from the county offices

CIP Supervisor 2:	
With Whom They Communicate	<ul style="list-style-type: none"> • CIP Coordinator
Purpose of Communication	<ul style="list-style-type: none"> • To learn from the CIP Coordinator whether a case is being investigated by FNS

CIP Supervisor 3:	
With Whom They Communicate	<ul style="list-style-type: none"> • CIP Coordinator
Purpose of Communication	<ul style="list-style-type: none"> • For clarification, to correct mistakes, to check on priority referrals

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

CEWs have very little contact with DSS in Columbia.

26. What level of coordination/cooperation takes place between the state and FNS offices?

Coordination/cooperation between the state and FNS offices is considered to be relatively high. The CIP has established a process to effect this coordination/cooperation. However, this process is not considered timely or efficient.

Process

The DSS's process for notifying FNS of client referrals containing retailer trafficking information involves the CIP Coordinator entering the information into a log, and sending a packet to FNS which includes an original retailer referral and the log sheet containing the names of all suspected retailers. Alternatively, FNS sometimes picks up referrals directly from the DSS. Once FNS looks at the data, they generate recipient referrals for the DSS. This process takes place before the CIP Coordinator sends the referrals to the investigators. Originally, Marie Shaw from FNS verbally approved the investigations. Now, the DSS must receive the approval in writing before the referrals are sent to the investigators. According to the interviewees, this process is effective.

The CIP coordinates with the FNS field office in Columbia and the SERO in Atlanta. The CIP Coordinator communicates with both of these offices to discuss retailer issues and referrals sent to the DSS from FNS. In addition, the CIP Coordinator and the Supervisor of the Food Stamp Policy Unit answer questions the SERO may have regarding the CIP. DSS went through the SERO for approval of the CIP. The SERO has been essential in helping the DSS with coordination issues and solving problems regarding DSS policies and procedures.

From the beginning of the CIP through September 1997, the DSS had provided 195 retailer referrals to FNS, of which 145 were suitable for investigation. The DSS would like FNS to better communicate information regarding referrals, such as the names of disqualified and suspected retailers. However, the DSS states that there has been a breakdown in communication regarding recipient referrals and little to no communication regarding retailers. The SERO helped the DSS with this issue by clearly outlining the different parties' responsibilities. In addition, the DSS now puts everything in writing. The DSS has received feedback from FNS regarding five of the 145 referrals. This feedback was provided in a report listing all disqualified retailers.

The processes established for the coordination/cooperation between the state and FNS provide a sufficient basis for effective communication. However, although these processes have been followed, they have not been followed efficiently. For example, the processes require the DSS to send FNS Headquarters a quarterly report: the DSS provides these reports, but it has taken several months for FNS to actually receive them and on several occasions, FNS had to follow-up with the DSS on their status. Moreover, early on in our evaluation, the CIP Investigators expressed concern on several occasions about knowing when a retailer was being investigated. The concern stemmed from issues related to a CIP Investigator interrupting a retailer investigation. Although the CIP

Coordinator is supposed to verify that a retailer is not being investigated prior to assigning that case, there appears to have been some breakdowns in that process. Although the processes have established the necessary channels for informational flow, issues must be addressed so that the coordination/cooperation processes can be followed more efficiently.

27. How can the procedures/requirements be made more effective?

CIP procedures can be made more effective by implementing the following recommendations, as well as maintaining some of the best practices already developed by South Carolina DSS.

Immediate:

- Fully implement the CIS portion of SAM. Currently, CIS allows the South Carolina-DSS to specify certain profiles, such as rapid and repeated transactions, over a specified period of time. During our evaluation CIS was unable to automatically weight 'flagged' client profiles.
- Optimize case load for the CIP investigators and redistribute referrals as necessary. The number of referrals is not spread evenly among investigators, causing some CIP investigators to be overloaded, while others are not.
- Increase the quality of referrals received. Referrals are obtained from the community, the DSS Fraud Hotline, FNS retailer disqualifications, and interagency staff. Increasing their quality will lead to more efficient and effective investigations and disqualifications.
- Establish a filtering procedure to apply to referrals received by the DSS. This filtering procedure may require the CIP Coordinator to verify that each referral contains sufficient information to proceed.
- Improve the CIP Investigator's working relationship with law enforcement and the field offices. Both can be good sources of referrals.
- Minimize the time it takes to schedule and determine the dispositions of ADHs. Prior to June 1997, the adjudication process presented a system bottleneck because only one Appeals Examiner was hearing cases. During this time, only 33 cases were adjudicated and the process took between 4.5 and 13.5 months from the time the case was assigned to the CIP Investigator, with the case being held for several months pending the Appeals Examiner's availability. As of June 1997, four Appeals Examiners conduct ADHs, and CIP investigators and recipients are required to travel to the county offices, where the Appeals Examiners call in to conduct the hearing via conference call. Since the implementation of the four Appeals Examiners, 47 cases have been successfully adjudicated through the ADH process. Although the number of ADHs has increased since the implementation of four Appeals Examiners, the variation in the time taken for a case to be investigated and adjudicated through an ADH is still lengthy. DSS stated that ADHs are being scheduled more quickly with the new process. However, we have no means of verifying this information.

Outside of Scope:

- Increase the publicity regarding the CIP with the general public. A poster campaign is being designed for grocery stores and DSS offices. Its purpose is to increase EBT recipients' and customers' awareness of the EBT misuse problem.
- Improve the recipient training to deter misuse by updating the existing training video to include misuse and to ensure that each trainer is providing training with the same emphasis. The video is presently being updated to include information regarding the Welfare Reform Act; it is anticipated that information regarding misuse will also be added.
- Establish performance targets. For example, establish an expected percentage of the number of referrals received that will result in disqualifications.

28. What organizational characteristics of the initiative required coordination with other agencies?

Assumptions: 1. "organizational characteristics" refers to project management and coordination, not a characteristic of the organization, such as the state's corporate culture; 2. "other agencies" refers to agencies outside the DSS.

External communication between DSS and other agencies, albeit limited, appears to be working well. As an example: an EBT recipient suspected of EBT misuse had a sister who worked at the DSS, prompting the South Carolina Department of Investigation to investigate the situation. The Department of Investigation is responsible for investigating possible instances of fraudulent activity within the DSS.

29. What procedures were found to be most effective in successfully suspending/disqualifying participants and retailers?

When considering the effects of procedures used to disqualify participants, one must consider that all CIP staff were provided consistent training, making it difficult to determine the effects of differences. Because the CIP is in its demonstration stage, it has kept to the procedures it was trained to follow with little or no variance. Therefore, the most successful procedures for detecting and investigating recipients cannot be determined.

Recipient adjudications can take one of two approaches. The recipient can either sign an ACA or proceed to an ADH. The ACA process provides an efficient and effective means of successfully adjudicating a recipient. The ADH process has provided 80 successful adjudications out of 89. Although the ADH process is not as efficient as the ACA process, it appears to be effective.

FNS considers the Regular Compliance disqualifications to be their most effective method of disqualifying a retailer. Given that an evaluation of the procedures of retailer disqualifications is outside the scope of this evaluation, no further information was gathered regarding the effectiveness of this procedure.

30. How does the South Carolina initiative's approach, procedures, organization, and results compare to client integrity in other EBT states?

Based on our contacts with the states of Maryland, Texas, New Mexico, and South Dakota we have generated several tables to compare the overall integrity approach of other states to that used in South Carolina for the CIP. Detailed procedures and organizational relationships/involvement were not differentiated during our research. The level of detail we requested from other states for a full comparison with the South Carolina CIP project was extensive. Each state provided us with what they had available, but did not use any additional resources to produce the level of detail we had hoped for. Therefore, specific one-to-one comparisons of many aspects of the CIP were not conducted.

Our team's involvement with related integrity activities/tasks for FNS provided us with the opportunity to gather additional state information. For example, information was gathered from the Georgia EBT Fraud Conference in Atlanta (March 1997), various Southwest Anti-Fraud Task Force (SWAT) meetings, and a task to support South Dakota EBT integrity efforts. This data collection approach, while cost-effective, does not lend itself to a straightforward comparison. Rather, the data collected from various sources were analyzed, correlations were observed, and relevant observations are documented in this report.

Detection Methods

The following table summarizes the detection methods used by each state. Generally, these states used methods similar to those used by South Carolina during the period of evaluation. These methods consisted of FNS referrals from retailer busts/stings, hotline referrals, standard security reports provided by the state EBT vendor, and automated fraud reports based on retailer transactions that appeared to be trafficking.

State	Detection Method
MD	Recipient names are passed on to investigators through referrals originated by OIG retailer busts. For referrals based on EBT transaction data, Maryland has not pursued any recipients without a retailer having been prosecuted. As part of the Mid-Atlantic Region Office (MARO), they have access to the ALERT system, but at the time of this effort no retailer busts have occurred based on ALERT reports.
TX	Recipients are identified through retailer investigations and a Match Report from OIG. Based on retailers cited for fraudulent activity, clients suspected of trafficking are identified and investigated.
NM	Recipients are identified through tips from hotline referrals, and EBT security reports provided by First Security Bank are reviewed.
SD	No detection methods at the time of our visit in the summer of 1996, except for the standard over-issuance cases.

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

Investigation Methods

The following table summarizes investigative methods used by each state. Each state used existing OIG investigators, meaning that no additional investigators were hired, unlike the CIP in South Carolina. Details of techniques and tools were not provided, but most current OIG investigators had consistent training and/or backgrounds for undercover-type work.

State	Investigation Method
MD	A waiver is sent to suspect recipients and they have 30 days to respond. Those recipients who do not respond are referred for ADH processing, which requires another 30 days before a hearing is scheduled. The investigator report, which is made up of information collected from the EBT Administrative Terminal, retailer bust and the Match Report(s), is used as evidence.
TX	<p>The Texas OIG currently uses a Match Report generated monthly in Microsoft Excel, based on retailer transaction data received from their EBT system processor. This report allows the investigators to check the number of retailers and their transactions, which fall within certain parameters, utilized to identify potential occurrences of fraud. Some of the information reflected in the Match Report includes the retailer ID, the location of the store, the number of registers, dollar amounts per transaction, and dollar amounts greater than \$25. The larger the amount of the average transaction, the more likely fraudulent transactions are occurring. For example, supermarkets are expected to average \$40 and above, while "Mom and Pop" stores average \$20 per transaction. Stores whose transactions do not adhere to the norm will appear on the Match Report. Investigators review and compare the current Match Report against those received in the past to identify any trends. This report, however, changes over time due to changes in the parameters set by the investigators.</p> <p>The current retailer Match Report does not provide many false leads (according to the Texas Department of Human Services (TDHS) OIG). This is considered advantageous as there are currently only two full-time EBT investigators in Houston and one full-time investigator in Dallas. The OIG Department is currently under reorganization. Under this reorganization, it is projected that the EBT investigations group will eventually have 12 full-time investigators.</p> <p>Texas has recently (during 1997) used a fake storefront method for client stings. Results were not available at the time this report was produced.</p>
NM	For EBT investigations, the following methods are currently utilized: the EBT expertise of the EBT Program Office personnel are drawn upon; investigator expertise is utilized; standard EBT security reports (provided by the EBT vendor) are reviewed (e.g., Even-Dollar, Large-Dollar Transactions, Manual Transaction, Offline Transaction); the USDA - OIG Kansas City Database is utilized to pinpoint activity based on transactions sent to the Kansas City Data Center; investigators are sent out and, if warranted, will set up cameras and conduct buys.
SD	Will use current investigators and methods as appropriate once the state starts to pursue EBT recipient fraud.

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

Adjudication Methods

The adjudication method is consistent for most states. When a case is brought against the recipient, a hearing is conducted, unless the recipient pleads guilty and takes the mandatory suspension. If the administrative hearing process finds that the recipient acted intentionally (i.e., an IPV), the recipient is disqualified for the period stipulated in federal regulations.

State	Adjudication Method
MD	Letters stating evidence of trafficking are sent out and the recipient can sign a letter withdrawing from the program or come in for a hearing. Generally speaking, recipients are reported via hotlines and if there is evidence, such as photos or eyewitness accounts (undercover agents), then a hearing is called if the recipient does not waive his/her rights. The administrative judge/hearings officer then disposes of the case using a combination of state laws and USDA regulations.
TX	Recipients go through an Administrative Hearing Process similar to Maryland's process. The client either remains on the program or is disqualified as a result of the hearing.
NM	Recipients go through an Administrative Hearing Process similar to Maryland's process. The client either remains on the program or is disqualified as a result of the hearing.
SD	Recipients go through an Administrative Hearing Process similar to Maryland's process. The client either remains on the program or is disqualified as a result of the hearing.

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

We have not yet heard of any state making criminal complaints against food stamp recipients; technically they could if their state laws allowed them to press criminal charges. Federal law may apply but the individual amounts are usually so small that most federal prosecutors will not spend the time or resources to pursue food stamp recipients.

For comparison, it should be remembered that New Mexico's population set is small compared to that of Texas. It does not mean, however, that the need to curtail fraud in New Mexico is less urgent. But, because of their EBT population size differences and their own departmental resource differences, the methods they have developed to combat fraud have taken different turns. Basically, it should be remembered that the fraud and analysis programs of each state have evolved based on certain inherent constraints determined by the state in question. This is not to say that there are no common lessons learned that can be passed on to all states (i.e., involving the fair hearings personnel at the onset of EBT program).

Comparisons

None of the states we contacted are conducting any formal evaluation of their process. Therefore, results and numbers for comparison purposes are only as good as the state's interest and collection methods—unknown to us—used. The data we provide in this section were primarily gathered from presentations made by state representatives at meetings and conferences.

New Mexico investigators open an average of 900 recipient cases a year based on approximately 3,000 referrals received. The 3,000 referrals are approximately divided into 20-25% retailer referrals, 70% unvalidated/false referrals, and the remaining percentage made up of a variety of items that do not support any grouping. No data was available on the disposition of the cases opened (e.g., duration of open cases, number of disqualifications, reasons for decision). However, the speaker did believe that the fact that a case was opened indicated a high probability of disqualification (i.e., most cases opened were associated with retailer referrals).

During the SWAT meeting of September 23, 1997, New Mexico reported that \$1,600,000 in claims had been recouped in one year. Since no calculations were provided and data was not available, this claim could not be validated and is suspect to various unknown caveats. For example, FNS representatives did not believe that claims were resulting in actual recouped dollars; therefore, the New Mexico presenter was not sure what the numbers represented. At this same meeting, Texas stated that they were establishing what was described as aggressive goals of 100 retailer busts and 1,000 recipient disqualifications for the next year. For comparison, Texas has approximately 15,000 food stamp retailers and 2 million recipients on the rolls. Their goal numbers would equate to less than a fraction of one percent of the recipient base.

Data for Maryland indicates that approximately 75% of the recipients sign the waiver, while a good number of the 25% that do not sign the waiver do not show up for their administrative hearing, resulting in automatic disqualification. The following table presents numbers provided by Maryland during the EBT Integrity Conference held in Atlanta, Georgia (April 8-10, 1997). The total represents the number of recipients disqualified each month. It was also reported at this conference that Maryland estimates a \$100 per person savings each month that a person is off the program. Based on this average number, we calculated the single month savings for total disqualifications and included it in this table.

	Oct. 1996	Nov. 1996	Dec. 1996	Jan. 1997	Feb. 1997	Mar. 1997
Waiver	184	114	90	65	91	150
ADH	41	29	48	38	42	35
Total	225	143	138	103	133	185
Savings	\$22,500	\$14,300	\$13,800	\$10,300	\$13,300	\$18,500

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

Of these cases, Maryland indicated that only 28 were permanent disqualifications. Therefore, a majority of these monthly savings would be cumulative over this six-month period. The total six month savings based on an estimated savings calculated for the minimum period of disqualification, six months, indicates that over this reporting period Maryland would have saved \$320,900. This compares to South Carolina's total reported savings from project inception to September 1997 of \$123,150.60.

This data for Maryland provides a solid reference point for the South Carolina demonstration over the period of evaluation. Both states were primarily receiving referrals from FNS retailer busts. While total case loads are different for these two states, it appeared that Maryland was able to handle more cases in general. This is even more distinctive when you take into account that Maryland did not have dedicated resources like the three investigators in South Carolina. As a comparison, the following table provides the six "best" months for South Carolina for the total number of disqualifications per month.

\$118,200 = (\$22,500 minus \$2800 for permanent disqualifications) times 6 months
\$71,500 = \$14,300 times 5 months
\$55,200 = \$13,800 times 4 months
\$30,900 = \$10,300 times 3 months
\$26,600 = \$13,300 times 2 months
\$18,500 = \$18,500 for one month
\$320,900

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

	May 1996	June 1996	July 1996	Sept. 1996	April 1997	Aug. 1997
Total	32	30	29	33	47	39

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

Total food stamp cases per state changes each month. To normalize numbers for comparison, a count of food stamp households in Maryland and South Carolina was used at a single point in time. FNS reports from December 1997 indicated Maryland as having 140,980 food stamp households while South Carolina had 139,180 households. The total number of referrals gathered during the CIP evaluation was also used to normalize numbers. Total referrals in South Carolina were 1790 and Maryland had 31,510. The following table summarizes the previous disqualification tables for each state as a percentage of food stamp households and total referrals.

	Oct. 1996	Nov. 1996	Dec. 1996	Jan. 1997	Feb. 1997	Mar. 1997
MD Total – as percent of households	0.160%	0.100%	0.098%	0.073%	0.094%	0.131%
SC Total – as percent of households	0.023%	0.022%	0.021%	0.024%	0.034%	0.028%
MD Total – as percent of referrals	0.714%	0.454%	0.438%	0.327%	0.422%	0.587%
SC Total – as percent of referrals	1.786%	1.674%	1.618%	1.842%	2.623%	2.176%

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

As this normalized data shows, Maryland processes a much higher percentage of their total food stamp households, potentially indicating higher levels of fraud in Maryland; however, all the referrals in Maryland were from the urban areas of Baltimore county. When considering the percentage of referrals to recipients, on a statewide basis, South Carolina appears to be doing a more effective job of identifying and adjudicating misuse cases.

In either case, the total percentage of disqualifications relative to total food stamp households appears to be extremely small. This would indicate that a disqualification process for recipient referrals could be streamlined and easily implemented to be cost-effective for such a small percentage of the population.

31. What impact would EBT implementation have on increasing the state's role in recipient-integrity-monitoring activities?

Prior to the advent of EBT and electronic transaction data, states were at a disadvantage in terms of gathering timely, unambiguous evidence. Food stamp coupons were easily trafficked or misused without leaving a transaction trail. With EBT, the time, date, card number, purchase amount, retailer ID, and depending upon the system, checkout lane and clerk, are recorded and archived. With this level of tangible, evidentiary detail, state integrity goals have become more specific, and the strategic and tactical steps necessary to achieve those goals more defined. South Carolina, New Mexico, Texas, and Maryland each now have established specific detection, investigation, and adjudication procedures which did not exist prior to EBT.

The EBT program had two principal effects upon the South Carolina integrity efforts:

- it has enabled South Carolina to establish an integrity program with goals and procedures; and
- it has increased the resource requirements necessary to achieve integrity objectives.

EBT implementation has given DSS transaction data with which to implement the CIP, resulting in disqualifications and savings. Achieving the goals established for the CIP has required additional resources in the form of automated detection tools, three CIP Investigators, a CIP Coordinator, and adjudication activities. Although the CIP results in savings to the DSS, management of four CIP staff members and operation of the CIS increase the direct and indirect cost of the state's assistance program(s).

32. What are the implications of using EBT information to identify potential participant abuse through trafficking and other abusive behavior?

Implications of using EBT information to identify potential participant abuse through trafficking and other abusive behavior include:

- **Better Quality of Evidence.** EBT transaction data provides the date, amount, and location of each purchase by a recipient. This information can be used to determine shopping patterns or to identify possible misuse. Because the transaction data provides such detailed information on each transaction, it can be used as evidence of misuse. For most cases of misuse, this evidence has been difficult for a recipient to dispute.
- **Improved Program Quality.** Greater program effectiveness is reflected in the rising number of positive adjudications. With the growth in adjudications comes the risk that errors may also increase, especially if resource demands are not met. The implication is that the state should continue to ensure that quality standards are met at each stage of the integrity process. Quality standards protect both the state and recipient from the consequences of invalid dispositions. Although this is not an issue to date, the potential does exist. The state may gauge the effectiveness of those quality standards by monitoring changes in the number of unfounded cases and appeals.
- **Establishment of Trend Analysis.** EBT information is being used in recipient monitoring by identifying recipients who are using one or more of four defined patterns. These patterns include rapid and repeated transaction, multiple transactions, high-dollar transactions and even-dollar transactions. Transaction data not only allows a state to view such patterns, it also allows the state to identify new misuse transaction patterns. For example, South Carolina DSS mentioned that when reviewing transaction data they have recently noticed small-dollar transactions (a few dollars or less) followed by high-dollar transactions within a short period of time at the same retailer. This pattern is now used as a means of identifying and investigating possible misuse. (Note: This pattern has been independently observed in other states.)
- **Readjustment of Resource Management.** EBT transaction data is being used as a method of detecting misuse cases for investigations, and of establishing new patterns for identifying possible misuse. Because the continued process of identifying patterns may generate more referrals, possibly overloading each investigator, the CIP will need to readjust their resource management in order to efficiently process each case through each program phase. Methods to manage resource and work-flow issues include establishing norms and standards so that deviations in performance can be detected. An example of resource management is a measure of ideal versus

actual caseload per investigator. Performance measures can also be applied to compare the actual and ideal times necessary to detect, investigate and adjudicate cases.

- **Emergence of Privacy Issues.** EBT stakeholders and advocacy groups are concerned about the secondary uses of transaction data by other program agencies, law enforcement, and business enterprises. As consistent with federal and state law, the state should ensure proper protection of EBT transaction data and case file information.
- **Emergence of System Issues.** Reallocating computer/system resources may become necessary to cover system-specific costs. These expenses include archiving transaction data and case files (for the statute of limitations term) as well as costs devoted to maintaining the Cis portion of the SAM system. For example, the tool's transaction filters will likely rise or change as new patterns are identified and investigators request more automated support. The potential for increased case loads and an increased number of misuse profiles may require the CIS to increase its capacity and performance capabilities.

33. What are the future implications of integrating the results from the evaluation components included in this contract?

Assumption: "... this contract" means the CIP pilot.

Though the implications of the CIS/RMS tool as a detection mechanism could not be established, the findings below affect other states contemplating the design, implementation, and operation of an integrity system.

- Transaction data is important to the detection, investigation and adjudication phases of client monitoring. This data provides the DSS with a means of detecting misuse, collecting evidence to verify misuse and disqualify recipients guilty of EBT misuse. The CIS tool is presently being utilized as a means of verifying misuse; it can also be used as a means to filter tips received by outside sources. Once a tip is received by the DSS, the CIS tool can be used prior to sending the referral to an investigator, to determine whether an investigation is necessary. This approach may result in more or less referrals for investigations, it will increase the quality of each referral assigned to an investigator.
- A Strong working relationships between FNS and the States is important as is the relationship between CIP Investigators and local law enforcement agencies, and CIP investigators and other agencies. All parties are stakeholders and share information. These working relationships can be fostered through training sessions, seminars, conferences, and working groups within the state, across states, and at the Federal level. Currently, most EBT coalitions have established fraud committees. National organizations and conferences, such as Card Tech/Secure Tech and Federal Agencies United Against Fraud, also devote a portion of their activities to EBT integrity issues.
- The CIP is regarded as a means of putting integrity back into the FSP. As the visibility for such a program is increased, other states will become aware of having the capabilities to incorporate such a program. This awareness may result in more states producing client integrity monitoring programs. Within South Carolina and other states, as the publicity of the client-monitoring programs is increased, the recipients' awareness of the program will increase, possibly causing a decrease in recipient misuse.
- States designing and implementing an integrity system may experience a learning curve similar to that found with South Carolina. Each state has unique situations requiring custom solutions so the life-cycle duration and intensity will vary.
- Budgeting implications for other states implementing an EBT recipient integrity program are based on cost and volume of referrals. Approximately

50/10,000 recipients were suspected of misuse in South Carolina during the CIP demonstration evaluation. The cost to detect, investigate, and adjudicate 50 recipients was approximately \$12,450. Although South Carolina received 50 referrals for every 10,000 recipients, all 50 referrals were not completely processed within the same year. The above cost estimate assumes all 50 referrals, per 10,000 recipients, would be adjudicated with the same fiscal year.

50/10,000 ratio was established by determining South Carolina's number of referrals compared to the number of recipients on the FSP. This number provided that for every 10,000 recipients on the FSP, it can be expected that 50 will be referred for misuse. The cost to detect, investigate, and adjudicate was determined by dividing the total cost of the CIP, to date, by the number of referrals completely processed. This provided the average amount per adjudication. Multiplying that average amount by the estimated 50 recipients (for every 10,000) provided the expected CIP budget per 10,000 recipients on the FSP. (Note: These numbers are estimates and will vary according to the specific circumstances of each state. Note that these values do not reflect the use of an automated detection tool and apply only to the implementation stage of an integrity program.)

- The adjudication stage requires the most time to complete. States should optimize the number of Appeals Examiners. The Investigation stage processes a considerable amount of referrals. This stage should also be improved by giving each investigator an optimal number of cases.

34. Does the recipient integrity initiative target/identify the retailers identified by FNS and OIG?

In general, the CIP, has identified the same retailers identified by FNS and OIG. Due to differences in record keeping and the different uses of retailer data, it was not possible to directly correlate DSS retailer referrals with those under investigation by FNS. However, FNS is known to pursue retailers based on the same transaction data that DSS uses to pursue recipients. As a result, there is a common subset of stores that are identified by FNS and DSS. However, while the USDA is responsible for retailer integrity, the state remains focused on recipient integrity.

Since May 8, 1996, FNS has received approximately 195 retailer referrals from the DSS. Of these, approximately 50 were not suitable for action because they were either duplicate referrals, the retailer had already withdrawn from the program, or there was a change of store ownership since the time of the referral. Of the 145 referrals that were suitable for action, all may not have been unique. These referrals may have been referred by other sources, may presently be under investigation or may be new referrals. Although the number of unique referrals cannot be determined, approximately 10 percent of the retailers referred by DSS were claimed to be already under investigation.

The OIG Hotline has provided two unique referrals. However, the number of referrals received by the hotline is unknown.

35. How does it compare to the FNS fraud detection system?

Assumption: "it" refers to CIP pilot detection activities.

The FNS fraud detection system for retailer referrals consists of all the procedures and techniques for detection-type activities. FNS receives retailer referrals from the DSS, the OIG Hotline, the community, and the RMS system. The RMS system detects misuse via a monthly listing of retailers matching certain EBT misuse profiles. Stores are weighted and prioritized within each profile. The EBT staff located at FNS's SERO reviews the reports to verify that a retailer is not currently under investigation. If the retailer is not under investigation, the retailer data is analyzed to determine whether there exists a high probability of misuse. If the data supports probable misuse, a packet containing retailer transaction data and a list of recipients who shop at the store is sent to FNS with a recommendation to investigate the retailer.

A process similar to that used for RMS referrals is followed for community, OIG Hotline and DSS retailer referrals. The referrals are sent to FNS's SERO office with recipient transaction data (if provided by DSS), and the SERO office obtains retailer transaction data from the RMS system. The data is reviewed to ensure that the retailer is not currently being investigated. If he/she is not, the data is analyzed to determine whether there is sufficient evidence of probable EBT misuse. If the data supports probable misuse, a packet is sent to FNS with a recommendation to investigate the retailer.

The difference between the CIP method of detection and FNS's fraud detection system is the source of the information. For the most part, the sources are the same—community, hotline, and automated analysis. There is one significant difference—FNS is able to obtain monthly transaction reports from the RMS system which ranks and weights each retailer. DSS is also able to generate reports from the RMS system. However, these reports do not rank or weight each recipient. The recipient reports provide a list of all transactions that meet a specified profile over the previous three months. Because transaction data are not ranked and weighted, the DSS goes through the report manually to look for multiple misuse patterns. The SAM system was still being designed to provide reports that flag, rank, and weight recipients possibly misusing EBT during this evaluation and was an effective means to detect recipient EBT misuse.

36. How many recipient violations led to penalties being imposed against retailers?

None of the recipient disqualifications directly led to penalties against retailers. Under current procedures, direct retailer penalties would probably result from a priority referral from FNS intended to help FNS build a case against a retailer. No priority recipient referrals have been sent to DSS for processing. However, from October 1995 to September 1997, 195 retailers were identified by the CIP as being suspected of EBT misuse, 50 of these referrals not being suitable for action. Of the 145 retailers, five have been disqualified based on the referrals received from the CIP demonstration. One of these five retailers was disqualified as a direct result of information gathered from the CIP demonstration.

37. Did the state use any innovative methods which might be adopted in other EBT states?

Question 17 discusses innovative investigation and detection approaches. While the investigators felt that they were coming up with unique ideas, most approaches identified in Question 17 have been used in other states or by other agencies (e.g., WIC). From the methods identified in Question 17, only one approach is considered innovative: when a CIP Investigator took a newspaper clipping, regarding a retailer disqualification, to an interview with a client to demonstrate how serious the government is about EBT misuse.

In terms of the project management of the CIP, South Carolina developed an automated referral log. This log tracks information for each case, including the method of detection, the CIP Investigator to whom the case is assigned, the date the case is assigned, the disposition, the disposition date, whether the case is priority, and the recipient's name and food stamp number. The automated referral log allows DSS to pull up information on any client referral at any time, as well as to identify cases that are overdue. CIP investigators have 90 days to complete a case. When a case is overdue, the appropriate CIP Investigator is informed. While this tool is a relatively simple approach to project management, the South Carolina CIP is the first program we are aware of that has formalized and automated their tracking system.

38. What level of funding would South Carolina require to perform recipient-integrity-monitoring activities under full implementation?

This question could not be answered due to the significant variation in the definition of “full implementation.” The phases we have discussed in this evaluation include Prevention, Detection, Investigation, and Adjudication. To fully address funding levels, each phase needs to be accounted for, including both fixed and variable costs. For example, in the future costs should be considered if a trainer is required to spend an additional 10 minutes per training session discussing transaction analyses, CIP capabilities, and misuse-pattern matching. Likewise, more cost information for the adjudication resources should be considered beyond the investigator’s cost, since it appears that a significant amount of time is consumed when an ADH is being conducted or even when an ACA is signed. However, the CIP only focused on the direct costs of CIP Investigators and the CIP Coordinator. This does not account for adjudication resources such as the Appeals Examiner’s time, which was quadrupled during this project to address backlogs in the process.

The level-of-funding question can be broadly addressed by determining CIP average costs assuming the total figures are all variable and will increase or decrease proportionally:

Total referrals	1790	According to Referral Log
Total adjudications	935	According to Referral Log
CIP expenditures as of September 1997	\$232,567	According to Quarterly Report
Average cost per referral	\$129.93	$\$232,567 / 1790$
Average cost per disqualification	\$248.73	$\$232,567 / 935$
Referrals for past six months	436	According to Quarterly Report
CIP expenditures for past six months	\$73,189	According to Quarterly Report and Referral Log
Average cost per referral for prior six months	\$167.86	$\$73,189 / 436$

Source: South Carolina Client Integrity Program Evaluation Report, June 1998.

Based on the data presented in this table, the more referrals received, the lower the average cost. This is obviously not the case, but accurate cost determinations are difficult to make when delays (e.g., referrals being held by the investigator to allow time to gather more data) and backlogs (e.g., ADHs) exist in the process relative to recipient cases being handled.

A better costing approach might be a job analysis where each participant's involvement in CIP-related activities is determined. This would facilitate identification of fixed versus variable costs. For example, expenditures for stamps will vary with the number of referrals sent, but investigator salary expenditures will remain fixed no matter how many referrals are processed. Therefore, an investigator who handles more referrals may be perceived as being more cost-effective. The problem with this cost calculation is that each investigator was able to determine whether a referral was unfounded, thereby determining the rate at which they worked. Arguments have been made for hiring more investigators. However, this solution would not reduce adjudication costs due to the potential need to increase the number of Appeals Examiners.

From another perspective, as seen in Question 30, disqualifications as a percentage of households is very small. This percentage would be even smaller if the number of recipients were used. Using a high-end estimate for these percentages, full implementation would require the CIP to process no more than 1 percent of the state's recipient population. The next question that needs to be answered is the time period in which these cases need to be processed. If misuse was detected for 1 percent of the recipient population in a month (i.e., well over 2000 cases in South Carolina), then using the existing process, it would appear that two years would be required to investigate and adjudicate these cases. Therefore, detection costs can be eliminated for almost 24 months. A flaw with this analysis is the assumption that current detection techniques uncover almost all misuse activities.

39. Are there any activities South Carolina would be able to perform if limited or no FNS funds were available?

There are obvious adjudication activities that could be performed, since they are currently performed with no additional FNS funding. If reliable detections could be automatically generated via transaction data (e.g., SAM system) and minimal staff time was required to build and present the ADH case, the complete CIP objectives could be accomplished with very limited funding. However, this requires that the misuse case development process leave very little room for variation. If the steps were reduced to only the value-add steps and these were optimized for efficiency, then the case development process of building and presenting the case could be very cost-effective.

The DSS feels that it would be very difficult to perform CIP activities with limited or no funds from FNS. The belief is that if limited funds were available, CIP functions would be moved to the Recipient Claims Program. There, the importance of client integrity would be minimized.

The DSS believes that if the savings generated from the program were fed back into the program, it would fund itself. It was mentioned that South Carolina had sought authority to retain a portion of the collected claims. These claims would have been used by the DSS to fund such projects as the CIP. However, the CIP was approved by the USDA with the restriction that South Carolina would not retain recouped claims.

40. What are the cost advantages/disadvantages to allowing the state to use a portion of the funds saved by the actions taken against recipients?

The financial advantage to allowing the state to retain a portion of recouped funds is twofold:

Retained funds create incentives which may be realized in increased efficiency and effectiveness in the state's integrity program. These improvements would generate more income for DSS and more retailer referrals for FNS. For the state, DSS would become less of a financial burden. Potentially greater FNS retailer success could be used to justify additional program funding.

The state would allow additional integrity program dollars with no direct effect upon FNS if the state was allowed to use a portion of the funds saved. Currently, over-issuance and recouped dollars are deposited into the Department of Treasury's General Fund and cannot be directly accessed by the USDA. In short, South Carolina's goal of making the state better off and the USDA no worse off has been achieved.

The financial disadvantage to allowing the state to retain a portion of recouped funds is the potential for abuse. CIP Investigators may attempt to disqualify recipients unjustly. Although the Claims Review Board, Appeals Examiners, and the Hearings Committee make the final decision as to whether a recipient is disqualified, added time and money for processing unjust cases would be incurred.

41. What, if any, negative consequences may result from allowing the state to use a portion of the funds saved by the actions taken against disqualified EBT recipients?

Interviewees from the DSS did not identify any negative consequences from allowing the state to use a portion of the funds saved by the actions taken against disqualified EBT recipients. However, a few possible negative consequences should be considered. If CIP was funded strictly through the savings it accumulated, the CIP staff might realize that the more recipients disqualified, the more money gleaned for the CIP. Knowing that they could directly influence the amount of money for the CIP, employees involved in the CIP could potentially attempt to disqualify recipients unjustly. Additionally, CIP Investigators and other CIP staff may lose sight of the initial objective of the CIP, to restore integrity in the FSP. Although there is no guarantee that these types of actions would take place, each consequence still needs to be considered.

DEPARTMENT OF EDUCATION

**INFORMATION TECHNOLOGY SECURITY (ITS)
COMPLIANCE REVIEW CHECKLIST**

for

Central Processing System

Booz-Allen & Hamilton Inc.

1. ASSIGNMENT OF ITS RESPONSIBILITIES

- a. Has a Computer Security Officer (CSO) been designated in writing?

Not in writing. However, John Allender, a member of the Data Center's Technical Support department, serves this function for system security and Dave Ross, Manager, Administrative Services serves as the Facility Security Manager.

- b. Are ITS responsibilities included in the CSO's job description and performance appraisal?

No, not at this time.

- c. Have automated information systems CSOs (ACSOs) or Facility Security Managers been identified for each system, network, or telecommunications system?

Yes. John Allender has responsibility for all mainframe based security. Dave Ross serves as the Facility Security Manager.

2. AUDIT TRAIL

- a. Has auditing been turned on for the application/system that is being reviewed?

Yes, RACF auditing is enabled and functioning.

- b. Which types of audit records are tracked (e.g., user activities/system administrator activities, successful/unsuccessful events)?

Audit records being generated include: user activities, system administrator activities, successful events and unsuccessful events.

- c. How often are audit records reviewed?

Unsuccessful events (violations) are reviewed weekly.

- d. Who reviews the audit records?

Mike Cline, Development Manager and Sandy Weldon, CPS Development Team Leader.

- e. How long are audit records retained?

Audit records are retained for 1,000 days.

3. AUTHORIZATION TO PROCESS

List the position of designated personnel who authorize system processing or user access to the application/system that is being reviewed.

Bill Schulte, CPS Development Manager, provides individual RACF access to the CPS system. Requests for access come to Bill from the CPS COTR, Nancy Reynolds. Bill maintains a current matrix of users/user IDs with access to the CPS.

4. CERTIFICATION/RECERTIFICATION

List the last certification/recertification date for the system, network, or telecommunications system on which the reviewed application runs.

NCS security procedures were audited via the internal audit organization (Ernst and Young) in November of 1997.

5. COMMUNICATIONS SECURITY (COMSEC)

a. Is dialup allowed? If so, describe the dialup procedures (e.g., security software used for dialup access, requirement for call-back, allowed access to mainframe remotely, other additional security requirements).

Yes, NCS supports dial-in access to the CPS system through two primary mechanisms. Direct mainframe access is provided through dial-up analog modems connected to NCS' IBM 3725 FEP and internal LAN access via a US Robotics RAS server and NSC NetSentry CryptoServer. Access to the 3725 modem pool is accomplished via PC based basic terminal emulation software. LAN access through the RAS server is available via local dial-in analog and ISDN circuits and is enabled via Windows NT and '95 dial-up networking facilities. NetSentry access is available via NCS' commercial Internet connection and requires special purpose secure client software running on the accessing PC. All access to the NCS environment requires use of a valid system user id adhering to "C2" standards.

b. Who authorizes this access?

Resources accessed via the user id are requested and authorized by the manager of the employee and enabled by the CPS project or Data Center security administrators depending on the resource being requested.

c. Are users allowed to download files from the application/system that is being reviewed?

Yes, if the user executing the download has the appropriate authorized level of access to the file.

d. Are users allowed to access the reviewed application/system via Internet? (If the answer is "yes," please describe the measures for Internet security used by CPS)

Yes. The security is provided via Title IV WAN.

6. COMPUTER SECURITY AWARENESS TRAINING (CSAT)

a. List all Computer Security Awareness Training (CSAT) conducted in the last 3 years.

TYPE

AUDIENCE

DATE

NCS re-issued all employee security badges in 1997 and all employees were required to attend a security awareness training session. Each manager is ultimately responsible for making their new employees aware of security rules and practices. Security clearance is required for many key personnel working on the CPS contract.

b. Were the following subjects covered in CSAT?

- System rules of behavior (e.g., user responsibility)
- System Software Use Policy
- Other Subjects covered in ITSP
- Authorized Use of Government computers and computing resources

No. This training was focused on building/access security.

7. CONFIGURATION MANAGEMENT (CM)

a. Is there a configuration management process in place that controls changes to any security-related sensitive software, hardware, or procedure for systems or networks?

Yes, configuration management facilities and processes are in place for both the application software and system software/hardware/network environments.

b. Describe the procedures for change of control (e.g., change of system configurations, conversion, program updates).

Problems, change requests, or requests for information are logged on our automated Tracker configuration management system. These issues are logged by NCS personnel, ED, ACT, or Macro (testing subcontractor). Once logged, the records are then assigned to the appropriate individual for assessment. All issues are reviewed at weekly meetings attended by NCS, Macro, and sometimes ED. Once a program or system change has been made and then tested by Macro and successfully signed off, the issue is closed.

Configuration management of system software/hardware components is based on NCS' implementation of IBM's Information Management product. All significant changes are reviewed in regular change board meeting and approved by NCS management prior to their implementation.

c. Do you know where all licensed software is located?

Yes, licenses to all software are tracked by the NCS asset management organization.

d. Are software inventories conducted? How often?

Yes, all PCs in the NCS environment are configured with the Net Census product. Software is inventoried on a monthly basis. We maintain an inventory of all system software. All application software is stored in secure, RACF-protected libraries.

e. Do you maintain an inventory of all licensed software?

Yes, the NCS asset management organization keeps a continuous inventory of all software assets.

f. Are configuration diagrams available for systems or networks?

Yes.

8. CONTINGENCY PLAN/DISASTER RECOVERY

a. Has a contingency plan(s) and/or disaster recovery plan(s) been prepared that covers all AIS resources (government and contractor operated systems) in the CPS? If yes, when was it prepared?

Yes. At the beginning of the current CPS contract. Contingency testing plans are produced yearly prior to the annual disaster/recover demonstration.

b. When was the last time the current contingency plan(s) and/or disaster recovery plan (s) were tested?

June, 1997.

c. Has a business resumption plan(s) been developed that covers all AIS resources (government and contractor operated systems) in the CPS?

Yes.

9. PROTECTION OF SENSITIVE INFORMATION (HARD COPIES)

a. Does "For Official Use Only," Privacy Act, Procurement Sensitive or proprietary information apply to the application/system that is being reviewed?

Yes.

b. If so, how are the printouts (hard copies) of this information protected?

Any hardcopy applicant data handled by NCS is stored at Kenwood Records Management in Cedar Rapids, Iowa. This is a secure facility with regulated access.

c. How is this information destroyed?

It is not destroyed. Applicant hardcopy data is eventually archived to Federal Records Storage at ED's direction.

10. ENVIRONMENTAL CONTROLS

- a. Are microcomputers and workstations equipped with electrical surge protectors?

Microcomputers and workstations used in the CPS environment which are critical to the operation are equipped with surge protectors (project verification).

- b. Are minicomputers, file servers, and mainframes equipped with an uninterruptible power supply (UPS)?

All file servers and the mainframe equipped with full UPS support.

- c. Is plastic protective sheeting available to cover AIS resources in the event of inadvertent overhead water discharge?

Yes, plastic sheeting cut to size is stored in the Data Center specifically for this use.

- d. Do you have an emergency power off (EPO) switch for all equipment in each computer room?

Yes, the Data Center is protected by EPO devices.

- e. Are water detectors in place under all raised floors?

Yes, the Data Center is protected by a grid of under floor water detectors.

11. IDENTIFY INFORMATION CATEGORIES AND SENSITIVITY LEVELS

- a. Have sensitive systems, applications, and data been identified in the CPS?

All data is treated as meeting the highest level of security due to the nature of the data processed by the CPS.

- b. Has the sensitivity level been assigned and has the CSO approved the sensitivity level?

Yes. The sensitivity levels for all project information, data, and applications was determined and approved through the security officers at the Dept. Of Education. This determination then became our framework for determine levels of security clearance necessary for project personnel.

c. Was the system or information owner involved in determining the sensitivity level?

Yes. Dennis Scott, CPS Project Manager, was involved in the determination process.

12. INCIDENT REPORTING AND HANDLING

a. List all AIS security incidents that have occurred in the last 3 years.

Nature of the Incident

Date of Report

No AIS security incidents have been encountered over the last three years.

b. Do system and network administrators know how to respond to and report an AIS security incident?

Yes, internally. However, not on a project level through any formal procedures.

c. Has an incident response procedure been provided to each Functional Manager?

No.

d. Describe the follow-up procedures for security incidents.

If there was a security incident, it would be elevated to the appropriate project level for review and reporting to the customer/Dept. Of Education. Determination on how to respond to security incidents would be made on a case-by-case basis.

13. LOCK OUT AND TIMEOUT

a. Will users be locked out of the application/system after several consecutive unsuccessful access attempts? How many invalid attempts?

Yes, after 5 attempts.

- b. Will the workstations or terminals automatically timeout after an interval of terminal inactivity? How long is that interval?

Yes. TSO terminals will time out after 60 minutes of inactivity. Our Tracker configuration management system terminates user sessions after 15 minutes of inactivity.

14. LOGON BANNER

Has an approved logon banner been installed on each multiuser system and network reachable from another network?

No.

15. MEDIA STORAGE

- a. Are media stored so as to protect them from theft and vandalism?

Yes.

- b. If stored in a storage facility, is access restricted?

Yes.

- c. Is sensitive information identified with an external label?

No.

- d. Is FOUO, Privacy Act, Procurement Sensitive and proprietary information provided with a visual means of identification?

No.

16. NETWORK AND SYSTEM ACCESS CONTROL

- a. Are all users who need access to the systems required to have unique user IDs?

Yes.

b. Are there any accounts on the systems (e.g., *guest*) that allow users access and to share without passwords?

No.

c. Is there a procedure in place to delete accounts no longer needed in a timely manner (e.g., terminated employees, employees whose positions/job functions have been changed)? Describe the procedures for user account suspension/removal.

Yes, the NCS Human Resources organization has processes in place to notify the Data Center in the event of employee termination or relocation. Data Center security administration personnel are responsible for suspending and/or removing the account as appropriate to the situation.

d. Are new users trained in security-related responsibilities before being allowed access to the system or network?

Yes, informally by current project personnel.

e. Do data owners authorize system access to their resources, applications, and data?

Yes.

f. How often do you revalidate your users on the system?

Annually, during the rollover of the system for the next processing cycle.

g. Does the reviewed application/system provide application security (e.g., additional password, security level for accessing records/files, etc.)?

Yes.

17. NETWORK AND SYSTEM ADMINISTRATION

a. Is there a system or network administrator appointed in writing for each system or network?

Yes.

b. Has an alternate administrator been appointed?

Yes.

c. What is the administration policy; centralized and/or decentralized?

Both centralized and decentralized.

d. Describe the system or network administrator's authority scope if decentralized administration is used.

Decentralized administrators have responsibility for security administration related to only those projects over which they have authority. As an example, the CPS administrator defines and administers security for all CPS contract resources and associates system user's to those resources with the authority appropriate to their job requirements. The CPS administrator also reviews security reports which are customized to show successful and unsuccessful accesses to CPS contract resources by authorized and unauthorized users.

e. Is there training provided for the network or system administrators?

No.

f. Has penetration testing been performed on your systems, network, and/or firewall? If yes, please provide the test results.

Yes.

g. Does the reviewed system(s) require class (C2) compliant (discretionary access control, audit, object reuse, and identification and authentication)?

Yes, with CPS specific interpretations as stated in contract requirements.

18. OPERATIONAL AND BACKUP SOFTWARE

a. Are backups performed on a regular basis? If so, how often? (This includes stand-alone computers that hold critical data.)

Yes, full volume backups are executed weekly, with incremental backups taken daily.

- b. Are backup copies of software and critical data files stored off-site? If so, is the off-site location close to or in the same area/region as your data center?

Yes. The off site facility is located approximately 30 miles from the Data Center facility.

19. PASSWORD

- a. What is the minimum length of the mainframe passwords?

Five characters.

- b. Can users use trivial passwords (e.g., dictionary words)?

Yes.

- c. Are passwords forced change by the system? How often are passwords required to be changed?

Yes, every 32 days.

- d. Does your system allow passwords to be reused?

Yes, but they cannot match any of the last 5 passwords used.

- e. Are group passwords allowed? If so, are there procedures for users who share group passwords?

No.

- f. Are all accounts required to be password protected? For accounts that do not require passwords, describe the countermeasures that CPS uses for protecting those accounts.

Yes.

- g. Does CPS require strong authentication for remote user access (e.g., token, digital certificate)? If so, list the type of strong authentication methods used.

No.

h. Is the system password file encrypted? Who can view the user passwords in clear text?

Yes. No one can view the passwords in clear text.

i. Is there a procedure for password distribution (e.g., new user accounts that need temporary passwords, users forget their passwords)? If so, please describe.

Yes. Temporary passwords are provided to the manager of the person requesting the userid by the central network security administrator. Passwords are distributed via electronic and voice.

20. PERSONNEL SECURITY

a. Have all Federal and non-federal employees been assigned an ADP sensitivity rating?

Yes. Our security officers cleared our ratings with security officers at the Dept. Of Education.

b. Have non-federal ADP sensitive positions been identified?

Yes. Specifically, necessary Technical Support and Computer Operations staff have been identified, among others.

c. Do your employees who have access to sensitive data required clearance or background checks? If so, how often will their background checks be conducted?

Yes. Security clearances are conducted on all personnel who have access to sensitive data. These positions have been identified and agreed upon with the security officers at the Dept. Of Education.

21. PHYSICAL SECURITY

a. Are physical security barriers in place (e.g., office doors locked when not occupied or after normal work hours)?

Yes.

b. Has there been any theft of AIS resources within the last 12 months?

Yes, there have been thefts of several non-configured laptop PCs from inventory areas. No AIS equipment has been stolen which has been in active use.

c. Are employees trained to challenge unknown personnel located in the work area?
Yes.

d. Describe the physical access control (e.g., security guards, door pass, closed circuit television) to sensitive computing areas (e.g., console, computer room, critical systems, systems that process sensitive information).

Swipe technology access control system is used for access to the building. Security guards are on location and make use of closed circuit cameras to view access points and sensitive areas.

e. Describe the procedures for granting and revoking door passes.

Badges are issued to new regular full-time employees following badge awareness training. Temporary employees are generally not issued badges with swipe technology access. Employees without swipe badges or who have misplaced their badges, must contact the security guard to gain access. Upon termination of employment with NCS, employees are required to turn in their badges.

22. RISK MANAGEMENT

a. Has a Risk Management Plan(s) been prepared that covers all AIS resources (government and contractor operated) in the CPS?

No.

b. When was it last updated?

N/A

23. SECURITY PLAN

Has a Security Plan(s) been prepared that covers all AIS resources (government and contractor-operated) in the CPS?

Yes.

24. SOFTWARE PROTECTION

- a. Is anti-viral software installed on all microcomputers and network?

Yes.

- b. Have personnel been briefed on the proper steps to take if a virus is encountered?

Yes.

- c. Are employees allowed to take and/or bring floppies to work? If so, what are the procedures?

Yes. Workstations are configured with memory resident virus scanning and users are required to virus scan diskettes when they bring them into the facility.

- d. Are users allowed to upload files to the mainframe from remote sites? If so, what are the controls?

Yes. All mainframe tasks including uploads are controlled via RACF facilities.

25. SYSTEM RULES OF BEHAVIOR

- a. Have written "Rules of Behavior" been developed for the CPS?

No. They are not required.

- b. Have all CPS systems and network users been provided a copy of the "rules of behavior"?

No. These are not required.